



Touch Holdings Limited

and controlled entities

ANNUAL FINANCIAL REPORT

For the year ended 31 December 2012

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DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2012.

Directors

The names and details of the group and Company's directors in office during the financial year and until the date of this report are as follows.

Michael Jefferies, Chairman

Adrian Cleeve, Managing Director

Denis Calvert, Executive Director

Hatim Tyabji, Non-Executive Director

Duncan Saville, Non-Executive Director

Michael Walters, Alternate Director for Duncan Saville

All Directors have been in office for the entire period with the exception of Michael Walters who was appointed after the relevant period on 15 February 2013.

Names, qualifications, experience and special responsibilities

Michael Jefferies (Chairman)

Michael Jefferies is a chartered accountant with extensive experience in finance and investment including more than 18 years as an executive of Guinness Peat Group plc (GPG). This international investment group is listed on the major stock exchanges in London, Australia and New Zealand. He is also a Non-Executive Director of Capral Ltd, Metals X Ltd, MMC Contrarian Ltd, Ozgrowth Ltd and Tower Ltd.

Hatim Tyabji (Non-Executive Director)

Hatim Tyabji is a distinguished executive with an exceptional record of adding shareholder value in the technology sector. By creating the world's first virtually run company, he took the market capitalisation of VeriFone from \$30 million to \$1.5 billion. Among many credits, he holds the Point Of Sale Industry's Lifetime Achievement Award, the Academy of Management's Distinguished Executive of the Year Award and an honorary doctorate from the State University of New York. Hatim Tyabji is chairman of Jasper Wireless and serves on the boards of Best Buy (NYSE), Sierra Atlantic and Merchant eSolutions. He is an ambassador-at-large for Benchmark Capital.

Adrian Cleeve (Managing Director)

Adrian Cleeve is an experienced commercial lawyer having been admitted to practise in 1979 and active in commercial matters since that time. He left private practice in 1986 and has been actively involved in business interests since then. He has held management positions in several organisations including Managing Director and Chief Executive Officer of Touchcorp Ltd (renamed XTCL Ltd) until 2001.

Denis Calvert (Executive Director)

Denis Calvert has more than 20 years of experience in the payments business, specialising in secure financial transactions. He spent ten years with VeriFone in various positions including Chief Operating Officer and Vice President of Worldwide Sales and Marketing. He has also been President of Retail and Merchant Services for Citibank North America, and the Director of the Mastercard acquiring board. Denis Calvert is also involved in various charitable organisations and is Chairman of The Sydney Cochlear Implant Centre - the Ear Foundation.

Duncan Saville (Non-Executive Director)

Duncan Saville, a chartered accountant is Chairman of ICM Limited, a global fund manager. In addition he is Chairman of Vix Technology Limited and a Non executive Director of Infratil Limited, a NZ listed Infrastructure company. He is an experienced Non executive Director having previously been a Non-Executive Director of a number of listed utility and investment companies.

Michael Walters (Alternate Director for Duncan Saville)

Michael Walters has over 25 years' experience in the payments industry, with a strong focus on new and emerging payments products and technologies. This includes nine years as a director with Edgar, Dunn & Company, a global cards and payments management consultancy, where Michael's clients included major payment schemes, domestic payment associations, multi-national financial institutions, payment processors, payments start-ups, industry investors / advisors and merchants.

Company Secretary

Sophie Karzis

Sophie Karzis was appointed as Company Secretary on 26 August 2005. Ms Karzis is a practising lawyer and a member of the Law Institute of Victoria and the Institute of Chartered Secretaries. She was previously General Counsel and Company Secretary for Touchcorp Ltd (renamed XTCL Limited).

Directors' meetings

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

Director	No of Scheduled Directors' meetings eligible to attend	No of Scheduled Directors' meetings attended
M. Jefferies	4	4
H. Tyabji	4	3
A. Cleeve	4	4
D. Saville	4	-
D. Calvert	4	4

At several of the directors' meetings the Directors discussed matters regarding the remuneration policy and practices of the Group, with relevant executives, and directors abstaining from considering and voting on such matters where relevant.

Committee membership

As at the date of this report, the Group has a Remuneration Committee.

Members of the Remuneration Committee during the period were:

M. Jefferies (Chairman)

D. Calvert

H. Tyabji

The committee met once during the year.

Principal activity

The Group owns and operates the Touch Mobility suite of services which enables payments and purchases by consumers directly from their mobile devices, via the Internet and through interactive voice recognition systems. The Group also owns the Touch Electronic Service Delivery System which enables the existing electronic funds transfer (EFTPOS) infrastructure and other devices such as kiosks to be used to sell vouchers, tickets and other tokens which are redeemable for products and services. These products and services include pre-paid phone vouchers, toll road passes, attractions tickets, loyalty programs, international money transfers, Medicare electronic payment processing, gift card programs and magazine subscriptions.

The Touch Group distributes and sells hundreds of electronic products from a number of different suppliers in Australia and Europe. The Touch System derives revenue from the service fees paid to it by the products and services suppliers from sales generated using the system. Revenues are also derived from terminal sales, integration and processing fees.

Dividends

No dividends were paid or declared by the Company during the year ended 31 December 2012.

Review of Operations

In FY 2012 the Company has recorded a profit of \$1,687,935 contrasting with the loss of \$6,879,044 for FY 2011. In the year ended 31 December 2012 the Touch Holdings Group generated \$17,342,710 in revenue compared to the previous year's revenue of \$7,122,729, a 143% increase.

During the course of FY 2011 and continuing into the present, the Company has developed and deployed several new and innovative systems. These developments have required significant investment from the Company during FY 2011 and to a lesser extent in FY 2012 and will require continuing investment in FY 2013 and beyond. The new services created have produced rewarding revenue streams in FY 2012, and it is expected that the revenue from these exciting services will continue to grow strongly during FY 2013.

The initiatives included the development and deployment of the new Touch Mobility suite of services, which enables payments and purchases by consumers directly from their mobile devices, via the Internet or through interactive voice recognition systems. The development of a new payment and transaction data security and integrity system for mobile based transactions and the deployment of significant new installations of its pcTouch integrated point of sale system in Europe, with the number two ranked European convenience group.

Revenue growth has been significant and growth is expected to continue in FY 2013.

The final quarter of FY 2012 also saw the commissioning of the new Touch health transaction system for the NAB HICAPS group, which delivered strong revenue in the last quarter of FY 2012 and is contracted to deliver significant revenue in FY 2013 and beyond.

Total transaction capacity of the Touch systems is in excess of 100 million transactions per annum with the FY 2013 transaction count on current agreements expected to reach approximately 80 million transactions. Approximately 50 million transactions were carried in FY 2012. During FY 2013 the Company will significantly upgrade many of its infrastructure systems to accommodate rapidly increasing transaction numbers.

As a result of new technical platforms being deployed and the withdrawal of older more labour intensive systems staff numbers in FY 2012 were able to be reduced from 70 full time equivalents to 56 without impacting on revenue growth, system availability or on time project delivery. The Company now has 59 staff members including four part time employees and it is not expecting to increase staff to service current contract requirements.

In December of 2012 Sabatica Pty Ltd, the Company's largest shareholder sold its 56 % holding in the company. Interests associated with the Company's Managing Director acquired shares. Mike Jefferies has agreed to remain as Chairman.

Significant Changes in the State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial period.

Significant Events Subsequent to Balance Date

The directors are not aware of any other matter or circumstance which has arisen since 31 December 2012 that has significantly affected or may significantly affect the operations of the consolidated entity in subsequent financial years, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely Developments and Expected Results

In accordance with section 299(1)(e) of the Corporations Act, the directors have excluded from this report any further information on the likely developments in the operations of the economic entity and the expected results of those operations in future financial years as the directors have reasonable grounds to believe that such information would be likely to result in unreasonable prejudice to the economic entity.

Environmental Regulation and Performance

There have been no known breaches of environmental regulations.

Proceedings on Behalf of the Group

No person has applied under section 237(1) of the Corporations Act 2001 for leave of the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Company was not a party to any such proceedings during the period.

Share Options**Unissued shares**

As at the date of this report there were 5,000,000 unissued ordinary shares under options (5,000,000 at the reporting date).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Group or any related body corporate.

The Company has entered into an option agreement to grant options to specified option holders over unissued shares in the Company.

Details of the option plan are disclosed in Note 13 to the Financial Statements.

Indemnification and insurance of directors and officers.**Indemnification**

Article 95 of the constitution of the Company provides

- 95.1 To the extent permitted by law and subject to the restrictions in section 199A of the Corporations Act the Company indemnifies every person who is or has been an officer of the Company against any liability (other than for legal costs) incurred by that person as an officer of the Company (including liabilities incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment).
- 95.2 To the extent permitted by law and subject to the restrictions in section 199A of the Corporations Act, the Company indemnifies every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by that person as an officer of the Company (including such legal costs incurred by the officer as an officer of a subsidiary of the Company where the Company requested the officer to accept that appointment).
- 95.3 The amount of any indemnity payable under clauses 95.1 or 95.2 will include an additional amount (GST Amount) equal to any GST payable by the officer being indemnified (Indemnified Officer) in connection with the indemnity (less the amount of any input tax credit claimable by the Indemnified Officer in connection with the indemnity). Payment of any indemnity which includes a GST Amount is conditional upon the Indemnified Officer providing the Company with a GST tax invoice for the GST Amount.
- 95.4 The directors may agree to advance to an officer an amount which it might otherwise be liable to pay to the officer under clause 95.2 on such terms as the Directors think fit but which are consistent with this clause, pending the outcome of any findings of a relevant court or tribunal which would have a bearing on whether the Company is in fact liable to indemnify the officer under clause 95.2. If after the Company makes the advance, the Directors form the view that the Company is not liable to indemnify the officer, the Company may recover any advance from the officer as a debt due by the officer to the Company.
- 95.5 For the purposes of this clause 95 'officer' means:
 - (a) a Director; or
 - (b) a Secretary.

During or since the financial period the Company has entered into Deeds of Indemnity and Access with each director of the Company against a liability incurred as an officer. The Company has not otherwise, during or since the financial period, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.



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Auditor's Independence Declaration to the Directors of Touch Holdings Limited

In relation to our audit of the financial report of Touch Holdings Limited for the financial year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'David R. McGregor'.

D. R. McGregor
Partner
28 March 2013

Remuneration report (audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing, and controlling major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term "executive" encompasses the chief executive, senior executives, general managers and secretaries of the Parent and Group.

Details of Key Management Personnel (including the five highest paid executives of the Company and Group)

(i) Directors

Michael Jefferies	Chairman (Non-executive)
Adrian Cleeve	Managing Director (Executive)
Hatim Tyabji	Director (Non-executive)
Denis Calvert	Director (Executive)
Duncan Saville	Director (Non-executive)

(ii) Executives

Peter Wardrop	Chief Operating Officer (resigned 7 December 2012)
Stuart Mills	General Manager of IT Operations (terminated 30 May 2012)
Antonio Bianco	Chief Financial Officer
Jason Van	General Manager Business Solutions and Strategy
Phillip Kanizay	General Manager - Customer and Supplier Relationships

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives. Attempts to prosper include attracting, motivating and retaining highly skilled directors and executives.

To this end, the Group embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Have a portion of executive remuneration 'at risk', dependent upon meeting performance benchmarks; and
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

Remuneration committee

The remuneration committee of the board of directors of the Company and the Group is responsible for determining and reviewing remuneration arrangements for the directors and executives.

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive officer remuneration is separate and distinct.

Remuneration report (audited) (continued)**Non-executive director remuneration***Objective*

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The constitution specifies that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was made on by written resolution on 2 August 2004 when the Company's sole shareholder approved an aggregate remuneration of \$500,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Group. An additional fee is also paid for each board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required.

The remuneration of Non-executive Directors for the year ended 31 December 2011 and 31 December 2012 is detailed in table 1 and 2 respectively of this report.

Senior manager and Executive director remuneration*Objective*

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- Reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group in the financial year; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the remuneration committee uses a combination of business experience, comparisons with executive remuneration of comparable companies and comparative remuneration in the market and makes its recommendations to the Board.

Remuneration consists of the following key elements:

- Fixed Remuneration; and
- Variable Remuneration.

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each executive officer and senior manager by the Remuneration Committee.

Fixed Remuneration*Objective*

Fixed remuneration is reviewed annually by the remuneration committee. The process consists of a review of Group, individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee may obtain external advice independent of management.

Structure

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Remuneration report (audited) (continued)**Variable Remuneration***Objective*

The objective of the variable program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets and to also reward executive officers in a manner which is consistent with the interests of shareholders. The total potential variable component is set at a level so as to provide sufficient incentive to the executive officer to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual variable payments granted to each executive officer depend on the extent to which specific targets set at the beginning of the financial year are met. The operational targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to operational profit, customer service, risk management, product management, and leadership/team contribution. The Group has predetermined benchmarks which must be met in order to trigger payments.

The type of variable remuneration and performance against KPIs of the Group and the individual performance of each executive are taken into account when determining the amount, if any, of the variable incentive pool, which includes cash bonus that is to be allocated to each executive. The cash bonus paid during the year was determined with reference to performance based targets achieved, which was assessed by the Board and management on a monthly basis. The performance based targets are detailed in the individual employment agreements of each executive officer.

The aggregate of variable payments available for executives across the Group is subject to the approval of the Remuneration Committee. Payments made are usually cash bonuses.

Relationship of rewards to performance

In assessing whether the performance hurdles for each variable component have been met, the Group measures audited results against internal targets.

Employments Contracts***Managing Director***

The Managing Director, Mr Adrian Cleeve is employed under the standard Group employment agreement. The Group may terminate the Managing Director's employment agreement by providing 3 months written notice or 6 months in certain circumstances or providing a payment in lieu of the notice period. The Group may terminate the agreement at any time without notice if serious misconduct has occurred. On termination on notice by the Group, all unvested options lapse immediately. The Managing Director has 180 days to exercise vested options held. Where termination with cause occurs the Managing Director is only entitled to that portion of remuneration that is fixed.

Other Executives

All executives have rolling contracts. The Group may terminate the executive's employment agreement by providing between one and six months written notice (depending on the executive) or providing a payment in lieu of the notice period. On termination on notice by the Group, all unvested options lapse immediately. The executives have 180 days to exercise vested options held. The Group may terminate the contract at any time without notice if serious misconduct has occurred.

Where termination with cause occurs the Other Executives are only entitled to that portion of remuneration that is fixed. On termination with cause, all options granted will lapse immediately.

Remuneration report (audited) (continued)

Remuneration of key management personnel and the five highest paid executives of the Company and the Group

TABLE 1: REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2012

	Short-term		Post		Long-term		Termination		Share based		Total	Performance related
	Salary & Fees	Cash Bonus	Employment Superannuation		Long Service Leave				payment Options			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive directors												
Michael Jefferies	45,000	-	-	-	-	-	-	-	-	-	45,000	-
Hatim Tyabji	99,009	-	-	-	-	-	-	-	-	-	99,009	-
Duncan Saville	25,000	-	-	-	-	-	-	-	-	-	25,000	-
Sub-total non-executive directors	169,009	-	-	-	-	-	-	-	-	-	169,009	
Executive directors												
Adrian Cleeve	473,249	91,744	30,880	12,562	-	-	-	-	-	-	608,435	19.4
Denis Calvert	260,000	45,000	-	-	-	-	-	-	-	-	305,000	17.3
Other key management personnel												
Peter Wardrop (resigned 7 December 2012)	219,765	39,698	20,961	37,712	-	-	-	-	-	-	318,136	18.1
Antonio Bianco	150,000	36,698	16,803	17,303	-	-	-	-	-	-	220,804	24.5
Stuart Mills (terminated 30 May 2012)	82,990	19,174	10,511	-	-	21,171	-	-	-	-	133,846	23.1
Philip Kanizay	155,963	22,936	16,101	3,878	-	-	-	-	-	-	198,878	14.7
Jason Van	232,475	57,523	16,122	7,815	-	-	-	-	-	-	313,935	24.7
Sub-total executive KMP	1,574,442	312,773	111,378	79,270	21,171	-	21,171	-	-	-	2,099,034	
Totals	1,743,451	312,773	111,378	79,270	21,171	-	21,171	-	-	-	2,268,043	

Remuneration report (audited) (continued)

Remuneration of key management personnel and the five highest paid executives of the Company and the Group

TABLE 2: REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2011

	Short-term		Post Employment		Long-term		Termination	Share based payment		Total	Performance related
	Salary & Fees	Cash Bonus	Superannuation	Long Service Leave	Options						
	\$	\$	\$	\$	\$	\$	\$	\$	%		
Non-executive directors											
Michael Jefferies	45,000	-	-	-	-	-	-	-	-	45,000	-
Hatim Tyabji	98,539	-	-	-	-	-	-	-	-	98,539	-
Duncan Saville (appointed 1st October 2011)	6,250	-	-	-	-	-	-	-	-	6,250	-
Sub-total non-executive directors	149,789	-	-	-	-	-	-	-	-	149,789	
Executive directors											
Adrian Cleave	412,844	-	37,156	4,276	-	-	-	-	-	454,276	-
Denis Calvert (i)	240,000	-	-	-	-	-	-	-	-	240,000	-
Other key management personnel											
Peter Wardrop	206,422	-	18,578	3,957	-	-	-	-	-	228,957	-
Antonio Bianco	150,000	1,500	13,635	5,697	-	-	-	-	-	170,832	1.0
Stuart Mills (Appointed 13/09/2011)	55,751	-	5,018	339	-	-	-	-	-	61,108	-
Philip Kanizay	150,000	-	13,500	1,553	-	-	-	-	-	165,053	-
Jason Van	195,240	-	14,759	5,098	-	-	-	-	-	215,097	-
Sub-total executive KMP	1,410,257	1,500	102,646	20,920	-	-	-	-	-	1,535,323	
Totals											
	1,560,046	1,500	102,646	20,920	-	-	-	-	-	1,685,112	

(i) At the request of the Board, Denis Calvert has taken up an executive role to assist in the sales and operational aspects of the business. In determining the level and make-up his annual salary the remuneration committee uses a combination of business experience, comparisons with executive remuneration of comparable companies and comparative remuneration in the market and makes its recommendations to the Board.

Signed in accordance with a resolution of the directors



Michael Jefferies
Chairman
28 March 2013

Statement of Comprehensive Income

For the year ended 31 December 2012

	Note	2012 \$	2011 \$
Sale of goods		-	40,573
Rendering of services		17,139,951	6,793,041
Government grants		150,000	94,192
Other income	4(c)	-	137,178
Finance revenue		52,759	57,745
Revenue		17,342,710	7,122,729
Cost of sales		(3,362,096)	(1,416,969)
Gross profit		13,980,614	5,705,760
Depreciation	10	(478,202)	(308,575)
Amortisation	11	(19,666)	(19,666)
Net (loss) / gain on disposal of asset		-	(1,136)
Employee benefits expense	4(b)	(6,982,340)	(8,026,655)
Doubtful debts expense	7	(37,550)	(99,365)
Rental expenses		(632,478)	(516,270)
Advertising expenses		(456,549)	(548,693)
Insurance expense		(126,116)	(127,831)
Legal expenses		(212,572)	(384,749)
Contractor expenses		(885,020)	(253,426)
Corporate & compliance expenses		(450,139)	(470,667)
Travel & accommodation expenses		(601,525)	(455,971)
Finance costs		(540,678)	(474,787)
Other expenses	4(a)	(869,844)	(897,013)
(Loss) / profit before income tax		1,687,935	(6,879,044)
Income tax expense	5	-	-
Net Profit / (loss) for the period		1,687,935	(6,879,044)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the period		1,687,935	(6,879,044)

Balance Sheet

At 31 December 2012

	Note	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	4,208,690	2,741,738
Trade and other receivables	7(a)	6,459,486	8,195,102
Other current assets	8	3,631,865	2,774,223
Total Current Assets		14,300,041	13,711,063
Non-current Assets			
Trade and other receivables	7(b)	175,854	351,706
Property, plant and equipment	10	809,673	1,034,445
Intangible assets	11	214,812	234,478
Total Non-current Assets		1,200,339	1,620,629
TOTAL ASSETS		15,500,380	15,331,692
LIABILITIES			
Current Liabilities			
Trade and other payables	14	14,018,012	16,054,932
Interest-bearing borrowings	15	-	-
Long service leave provision		90,844	124,012
Total Current Liabilities		14,108,856	16,178,944
Non-current Liabilities			
Long service leave provision		81,605	66,871
Interest-bearing borrowings	15	5,407,936	4,871,829
Total Non-current Liabilities		5,489,541	4,938,700
TOTAL LIABILITIES		19,598,397	21,117,644
NET (LIABILITIES)		(4,098,017)	(5,785,952)
EQUITY			
Issued capital	16(a)	37,212,869	37,212,869
Accumulated losses		(41,539,886)	(43,245,821)
Reserves	16(c)	229,000	247,000
TOTAL EQUITY		(4,098,017)	(5,785,952)

Statement of Changes in Equity

For the year ended 31 December 2012

	<i>Issued capital (note 16(b))</i>	<i>Accumulated losses</i>	<i>Reserves (note 16(c))</i>	<i>Total</i>
	\$	\$	\$	\$
At 1 January 2012	37,212,869	(43,245,821)	247,000	(5,785,952)
Profit for the period	-	1,687,935	-	1,687,935
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	1,687,935	-	1,687,935
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Share issue expenses	-	-	-	-
Lapsed share options (i)	-	18,000	(18,000)	-
At 31 December 2012	37,212,869	(41,539,886)	229,000	(4,098,017)

	<i>Issued capital (note 16(b))</i>	<i>Accumulated losses</i>	<i>Reserves (note 16(c))</i>	<i>Total</i>
	\$	\$	\$	\$
At 1 January 2011	37,212,869	(36,366,777)	247,000	1,093,092
Loss for the period	-	(6,879,044)	-	(6,879,044)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	(6,879,044)	-	(6,879,044)
Transactions with owners in their capacity as owners				
Issue of share capital	-	-	-	-
Share issue expenses	-	-	-	-
Lapsed share options (i)	-	-	-	-
At 31 December 2011	37,212,869	(43,245,821)	247,000	(5,785,952)

(i) This is a transfer to accumulated losses due to vested options that have lapsed. This has resulted from former employees not exercising options that had vested in accordance with the rules of the share option plan.

Cash flow Statement

For the year ended 31 December 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		170,830,350	147,537,516
Payments to suppliers and employees (inclusive of GST)		(169,162,727)	(147,027,058)
Borrowing costs		-	-
Net cash flows from / (used in) operating activities	6	1,667,623	510,458
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	-
Interest received		52,759	57,745
Purchase of property, plant and equipment		(253,430)	(979,945)
Net cash flows (used in) investing activities		(200,671)	(922,200)
Cash flows from financing activities			
Proceeds from borrowings		-	1,700,000
Net cash flows from financing activities		-	1,700,000
Net (decrease)/increase in cash and cash equivalents		1,466,952	1,288,258
Cash and cash equivalents at beginning of period		2,741,738	1,453,480
Cash and cash equivalents at end of period	6	4,208,690	2,741,738

For the year ended 31 December 2012**NOTE 1: CORPORATE INFORMATION**

The financial report of Touch Holdings Limited for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 28 March 2013.

Touch Holdings Limited is a public company limited by shares incorporated in Australia whose shares are not publicly traded on the Australian Stock Exchange.

The Group owns and operates the Touch Mobility suite of services which enables payments and purchases by consumers directly from their mobile devices, via the Internet and through interactive voice recognition systems. The Group also owns the Touch Electronic Service Delivery System which enables the existing electronic funds transfer (EFTPOS) infrastructure and other devices such as kiosks to be used to sell vouchers, tickets and other tokens which are redeemable for products and services. These products and services include pre-paid phone vouchers, toll road passes, attractions tickets, loyalty programs, international money transfers, Medicare electronic payment processing, gift card programs and magazine subscriptions.

The Touch Group distributes and sells hundreds of electronic products from a number of different suppliers in Australia and Europe. The Touch System derives revenue from the service fees paid to it by the products and services suppliers from sales generated using the system. Revenues are also derived from terminal sales, integration and processing fees.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis and is presented in Australian dollars.

The financial statements are prepared on a going concern basis despite the net liability position. The directors believe this is appropriate in view of expected future positive cash flows from operations.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

(b) New accounting standards and interpretations

The following standards and interpretations have been applied:

► AASB 1054 Australian Additional Disclosures - This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.

This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in

- (a) Compliance with Australian Accounting Standards
- (b) The statutory basis or reporting framework for financial statements
- (c) Whether the entity is a for-profit or not-for-profit entity
- (d) Whether the financial statements are general purpose or special purpose
- (e) Audit fees
- (f) Imputation credits

effective 1 January 2012

► AASB 1048 Interpretation of Standards - Identifies the Australian interpretations and classifies them into two groups: those that correspond to an IASB interpretation and those that do not. Entities are required to apply each relevant Australian interpretation in preparing financial statements that are within the scope of the standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended interpretations issued since the June 2010 version of AASB 1048. Effective 1 January 2012.

For the year ended 31 December 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) New accounting standards and interpretations**

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 2012

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1-Jan-15	The Group has not yet determined the extent of the impact of the amendments, if any.	1-Jan-15

For the year ended 31 December 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) New accounting standards and interpretations (continued)**

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss and those that will not.	1-Jul-12	The Group expects that there will be no material impact.	1-Jan-13
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1-Jul-13	The Group expects that there will be no material impact.	1-Jan-14

For the year ended 31 December 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) New accounting standards and interpretations (continued)**

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)</p> <p>(b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>(c) Public sector entities other than the Australian Government and State, Territory and Local Governments.</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1 and 2012-7.</p>	1-Jul-13	The Group has not yet determined the extent of the impact of the amendments, if any.	1-Jan-14

For the year ended 31 December 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) New accounting standards and interpretations (continued)**

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p> <p>Consequential amendments were also made to other standards via AASB 2011-7.</p>	1-Jan-13	The Group has not yet determined the extent of the impact of the amendments, if any.	1-Jan-13
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1-Jan-13	The Group expects that there will be no material impact.	1-Jan-13

Basis of Preparation**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New accounting standards and interpretations (continued)**

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 13	Fair Value Measurement	<p>AASB 13 establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.</p> <p>Consequential amendments were also made to other standards via AASB 2011-8.</p>	1-Jan-13	The Group expects that there will be no material impact.	1-Jan-13

For the year ended 31 December 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Significant accounting judgements, estimates and assumptions

(i) Significant accounting estimates and assumptions

Management has identified the following accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of these assumptions may be found in the relevant notes to the financial statements.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model, using the assumptions detailed in note 13. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Estimation of useful lives of assets

The estimation of the useful lives of assets have been based on historical experience as well as manufacturers' warranties (plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Impairment of intangible assets

Intangible assets with finite lives are reviewed annually for impairment where an impairment trigger exists, the carrying value of the intangible asset is assessed against its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The recoverable amount of intangible assets with finite lives is estimated on a value in use basis, taking into account the estimated future cash inflows and outflows associated with use of the asset. Refer to note 11 for further information.

(ii) Significant accounting judgements

Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Touch Holdings Limited and its subsidiaries as at and for the period ended 31 December 2012 ('the Group').

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Touch Holdings Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

For the year ended 31 December 2012**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(d) Basis of consolidation (continued)**

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposal of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- ▶ Derecognises the assets (including goodwill) and liabilities of the subsidiary
- ▶ Derecognises the carrying amount of any non-controlling interest
- ▶ Derecognises the cumulative translation differences recorded in equity
- ▶ Recognises the fair value of the consideration received
- ▶ Recognises the fair value of any investment retained
- ▶ Recognises any surplus or deficit in profit or loss
- ▶ Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

(e) Revenue recognition

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

(i) Sale of goods

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to the customer, indicating that there has been a transfer of risks and reward to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

(ii) Rendering of services

The Group facilitates the sales of electronic products and services for which it receives a fee. Revenue from integration and operation services is recognised by reference to the stage of completion of a contract or contracts in progress at balance date.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

(iii) Interest revenue

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

For the year ended 31 December 2012**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(f) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of the specific asset and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

(g) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(h) Trade and other receivables

Trade receivables, which generally have 7-30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or default payments are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(i) Inter-company receivables

Inter-company receivables, which are required to be paid when the entity is able to do so, are recognised and carried at original invoice amount less an allowance for impairment.

Collectability of inter-company receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that receivable will not be able to be collected.

(j) Foreign currency translation

Both the functional and presentation currency of Touch Holdings Limited and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated financial report are taken to the statement of comprehensive income.

For the year ended 31 December 2012**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(k) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting 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:

- ▶ Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.
- ▶ When the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, and 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 credits and unused tax losses can be utilised, except:

- ▶ When 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.
- ▶ When the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, in which case deferred tax asset is 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.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Touch Holdings Limited and its wholly-owned Australian consolidated entities have implemented the tax consolidation legislation as of 3 September 2004.

The head entity, Touch Holdings Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Touch Holdings Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in Note 5.

Any differences between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

For the year ended 31 December 2012**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(l) Other taxes**

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

- ▶ When 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.
- ▶ Receivables and payables are stated with the amount of GST included.

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

Cash flows are included in the 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, is classified as operating cash flows.

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

(m) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the profit and loss as incurred.

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

- Plant and equipment - 3 to 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

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, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The assets or cash-generating unit is written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the profit or loss in the cost of sales line item.

Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

For the year ended 31 December 2012

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(n) Intangible assets**

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is charged against profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents	Core Technology
Useful lives	Finite	Finite
Amortisation method used	20 yrs - Straight-line	5 yrs - Straight-line
Internally generated / Acquired	Acquired	Acquired
Impairment testing	Amortisation method reviewed at every reporting period. Reviewed annually for indicators of impairment.	Amortisation method reviewed at every reporting period. Reviewed annually for indicators of impairment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(o) Investments

The Group has applied the option in AASB 127 *Consolidated and Separate Financial Statements* to carry the investments in subsidiaries at cost.

(p) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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 relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

For the year ended 31 December 2012**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(q) Trade and other payables**

Trade payables and other payables are carried at amortised cost. Due to their short term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(i) Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(s) Share-based payment transactions*Equity settled transactions*

The Group provides benefits to employees (including key management personnel) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Employee Share Option Plan (ESOP) provides benefits to directors and senior executives, and other staff as agreed by the Managing Director.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instrument at the date at which they are granted. The fair value is determined using a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised in the statement of comprehensive income for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

For the year ended 31 December 2012**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(t) Government grants**

Government grants are recognized in the Income Statement when the grant is received.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders' equity.

When the grant relates to an asset, the fair value is credited to deferred income and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

(u) Contributed equity

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

NOTE 3: SEGMENT INFORMATION

The Group adopted *AASB 8 Operating Segments* in 2007 and as such segment disclosures are no longer required.

NOTE 4: REVENUES AND EXPENSES

	2012 \$	2011 \$
Expenses		
(a) Lease payments and other expenses included in income statement		
Staff procurement & relocation expenses	72,522	68,129
Telephone & data expenses	125,732	151,930
Rental of equipment	65,840	54,329
Fringe benefits tax	59,477	21,023
Legal claim (refer 4(c) below)	-	162,178
Computer & equipment maintenance	97,337	86,137
Entertainment	88,737	68,954
Other expenses	360,199	284,333
Total	869,844	897,013
(b) Employee benefits expense		
Wages and salaries	6,530,186	7,492,381
Workers' compensation costs	14,804	20,269
Superannuation costs	437,350	514,005
	6,982,340	8,026,655

Revenue**(c) Other income**

During 2011 the company recorded income of \$137,178 in relation to a successful insurance claim for costs incurred pertaining to a legal claim. These costs are recorded as part of operating expenses (refer to note 4(a)).

NOTE 5: INCOME TAX

	2012 \$	2011 \$
(a) Income tax expense		
The major components of income tax expense are:		
<i>Current income tax</i>		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous years	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Reversal / recognition of deferred tax asset in relation to tax losses	-	-
Income tax expense as reported in the income statement	-	-

(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:

	2012 \$	2011 \$
Accounting (loss) / profit before tax	1,687,935	(6,879,044)
At the Group's statutory rate of 30% (2011: 30%)	506,381	(2,063,713)
Expenditure not allowed for income tax purposes	62,533	31,439
Share based payment expense	-	-
Capital allowances	-	(22,952)
Other	243,687	103,262
Tax losses / (profit) not brought to account	(812,601)	1,951,964
Income tax expense	-	-

NOTE 5: INCOME TAX (continued)

		<i>Balance sheet</i>	
		<i>2012</i>	<i>2011</i>
		<i>\$</i>	<i>\$</i>
(c) Deferred income tax			
Deferred income tax at 31 December relates to the following:			
<i>CONSOLIDATED</i>			
<i>Deferred tax liabilities</i>			
Accelerated depreciation: intangible assets		-	-
Gross deferred tax liabilities		-	-
Set-off of deferred tax assets		-	-
Net deferred tax liabilities		-	-
Losses available for offset against future taxable income / (deferred tax asset not booked)		-	-
Deferred tax liabilities		-	-
<i>Deferred tax assets</i>			
Employee provisions		164,669	299,312
Other		235,811	22,952
Gross deferred tax assets		400,480	322,264
Set-off of deferred tax liabilities		-	-
Non-recognition of deferred tax asset / (expense)		400,480	322,264
Net deferred tax assets		-	-
Deferred tax income tax asset / (expense)			

(d) Tax consolidation*(i) Members of the tax consolidated group and the tax sharing arrangement*

Touch Holdings Limited and its 100% Australian owned subsidiaries formed a tax consolidation group with effect 3 September 2004. Touch Holdings Limited is the head entity of the tax consolidated group. Members of The Group have entered into a tax sharing arrangement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this arrangement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied The Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 *Income Taxes*.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the tax consolidated group have not entered into a tax funding agreement at balance date.

NOTE 6: CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2012 \$	2011 \$
Cash at bank and in hand	4,060,306	2,604,705
Short-term deposits	148,384	137,033
	4,208,690	2,741,738

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is \$4,208,690. (2011: \$2,741,738).

The Company holds a bank account that is used solely for the collection of funds on behalf of, and payments to, a customer as part of an agreement for the provision of services in relation to sale of electronic prepaid mobile phone and internet recharge products. This bank account was set up during the 2011 financial year, and the Group does not have the ability to use the funds within this bank account for operational purposes. The funds in this bank account are not included as part of cash and cash equivalents at 31 December 2012. Similarly, the gross receipts and payments for this bank accounts have not been included in the Cash Flow Statement.

Reconciliation from the net loss after tax to the net cash flows from operations

Net (loss) / profit	1,687,935	(6,879,044)
<i>Adjustments for:</i>		
Depreciation	478,202	308,575
Amortisation	19,666	19,666
Net (gain) / loss on disposal of property, plant and equipment	-	1,136
Interest received - investing activity cash flow	(52,759)	(57,745)
Share options expense	-	-
Accrued interest expense - related party loan	536,107	472,609
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	1,911,468	(3,273,240)
(Increase)/decrease in prepayments	(857,642)	369,025
(Decrease)/increase in trade and other payables	(2,055,354)	9,549,476
Net cash from / (used in) operating activities	1,667,623	510,458

NOTE 7: TRADE AND OTHER RECEIVABLES

	2012 \$	2011 \$
(a) Trade and other receivables (current)		
Trade receivables	6,515,141	8,313,137
<i>Less allowance for doubtful debts</i>		
Opening balance	(118,035)	(18,670)
Provided in the period	(37,550)	(99,365)
Debts written off	99,930	-
Written back in the period	-	-
Total allowance for doubtful debts	(55,655)	(118,035)
	6,459,486	8,195,102

Trade receivables are non-interest bearing and are generally on 7 - 30 day terms.

At 31 December, the aging analysis of trade receivables is as follows:

	Total	0-30 days	0-30 days CI**	31-60 days	31-60 days CI**	61-90 days PDNI*	61-90 days CI**	+91 days PDNI*	+91 days CI**
2012	6,515,141	5,681,673	2,658	541,787	12,043	111,684	35,794	124,343	5,159
	Total	0-30 days	0-30 days	31-60 days	31-60 days CI**	61-90 days PDNI*	61-90 days CI**	+91 days PDNI*	+91 days CI**
2011	8,313,137	6,924,864	-	627,057	5,975	109,944	3,877	546,112	95,308

* Past due not impaired ('PDNI')

** Considered impaired ('CI')

Fair value and credit risk

Due to the short term nature of these receivables, and as prices are determined in formal sales agreements, the fair value is the amount presented in the accounts.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 12.

(b) Trade and other receivables (non-current)

In 2009 the Group entered into an agreement with one of its partners to settle a debt over 4 years in equal annual instalments. The agreement is with a reputable company and the likelihood of default is considered low.

NOTE 8: OTHER CURRENT ASSETS

	2012	2011
	\$	\$
Funds on deposit	-	-
Prepaid electronic pins	3,359,758	2,429,600
Prepaid insurance premiums	76,134	83,027
Prepaid software licence & maintenance expenses	124,104	121,629
Prepaid marketing expenses	-	32,760
Prepaid project development expenses	-	78,956
Other prepaid expenses	71,869	28,251
	3,631,865	2,774,223

Due to the short term nature of these assets, their carrying value is assumed to approximate their fair value.

NOTE 9: PARENT ENTITY INFORMATION

	2012	2011
	\$	\$
Current assets	121,426	101,188
Total assets	8,002,375	8,000,137
Current Liabilities	93,900	152,955
Total liabilities	93,900	152,955
Issued capital	37,212,869	37,212,869
Retained earnings	(29,533,394)	(29,612,687)
Share based payment reserve	229,000	247,000
Total shareholders' equity	7,908,475	7,847,182
Profit / (loss) of the parent entity	79,293	(39,263)
Total comprehensive income (loss) of the parent	79,293	(39,263)

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)

	<i>CONSOLIDATED</i>	
	<i>Plant and equipment</i>	<i>Total</i>
	\$	\$
YEAR ENDED 31 DECEMBER 2012		
At 1 January 2012		
net of accumulated depreciation	1,034,445	1,034,445
Additions	253,430	253,430
Disposals - Cost	-	-
Disposals - Accumulated depreciation	-	-
Depreciation charge for the year	(478,202)	(478,202)
At 31 December 2012		
net of accumulated depreciation	809,673	809,673
At 31 December 2012		
Cost	2,273,584	2,273,584
Accumulated depreciation	(1,463,911)	(1,463,911)
Net carrying value	809,673	809,673
	<i>CONSOLIDATED</i>	
	<i>Plant and equipment</i>	<i>Total</i>
	\$	\$
YEAR ENDED 31 DECEMBER 2011		
At 1 January 2011		
net of accumulated depreciation	364,210	364,210
Additions	979,945	979,945
Disposals	(309,076)	(309,076)
Disposals - Accumulated depreciation	307,941	307,941
Depreciation charge for the period	(308,575)	(308,575)
31 December 2011		
net of accumulated depreciation	1,034,445	1,034,445
31 December 2011		
Cost	2,020,153	2,020,153
Accumulated depreciation	(985,708)	(985,708)
Net carrying value	1,034,445	1,034,445

NOTE 11: INTANGIBLE ASSETS (NON-CURRENT)

	<i>CONSOLIDATED</i>		
	<i>Core Technology \$</i>	<i>Patents \$</i>	<i>Total \$</i>
YEAR ENDED 31 DECEMBER 2012			
At 1 January 2012			
net of accumulated amortisation	-	234,478	234,478
Additions	-	-	-
Amortisation for the year	-	(19,666)	(19,666)
At 31 December 2012			
net of accumulated amortisation	-	214,812	214,812
At 31 December 2012			
Cost	20,059,792	378,070	20,437,862
Accumulated amortisation	(20,059,792)	(163,258)	(20,223,050)
Net carrying amount	-	214,812	214,812

	<i>CONSOLIDATED</i>		
	<i>Core Technology \$</i>	<i>Patents \$</i>	<i>Total \$</i>
YEAR ENDED 31 DECEMBER 2011			
At 1 January 2011			
net of accumulated amortisation	-	254,144	254,144
Additions	-	-	-
Amortisation for the period	-	(19,666)	(19,666)
At 31 December 2011			
net of accumulated amortisation	-	234,478	234,478
At 31 December 2011			
Cost	20,059,792	378,070	20,437,862
Accumulated amortisation	(20,059,792)	(143,592)	(20,203,384)
Net carrying amount	-	234,478	234,478

NOTE 11: INTANGIBLE ASSETS (NON-CURRENT) (continued)

The Group's intangible assets consist of patents and the underlying core technology of the business, being the delivery platform, which enables customers to process transactions electronically on retail devices such as ATMs, Kiosks, payment terminals, cash registers and more recently via the internet, mobile handset and interactive voice recognition systems. Products distributed via these devices include tickets, phone cards, fishing licenses, magazine subscriptions, bill payments, money transfers, Medicare payment processing and loyalty programs. The core technology and the patents pending, for the unique transaction process have been acquired through a business combination. These intangible assets have been determined to have finite useful lives and the cost model is used for their measurement. These assets were tested for impairment at 31 December 2012 and no impairment adjustment is required. The expected useful life and amortisation period of the finite intangible assets is considered reasonable in light of this testing.

NOTE 12: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate, credit, liquidity and currency risk in accordance with the Group's financial risk management policy. The objective of which is to support the delivery of the Group's financial targets, whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

Risk Exposures and ResponsesPrice risk

The Group has no exposure to pricing risk as prices are determined in formal sales agreements.

Credit risk

Credit risk arises from the financial assets of the Group. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

To minimise the credit risk exposure the Group attempts to trade with recognised, creditworthy parties. The Group performs credit assessments of its customers before entering into formal business arrangements. Receivable balances are monitored on an ongoing basis with the result that the exposure to bad debts is not significant.

The Parent has exposure in intercompany receivables with Touch Networks Australia Pty Ltd and Touch Networks Pty Ltd, which is fully provided for.

NOTE 12: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**Risk Exposures and Responses (continued)**Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED	
	2012 \$	2011 \$
Financial Assets		
Cash and cash equivalents	4,208,690	2,741,738
	<u>4,208,690</u>	<u>2,741,738</u>
Financial Liabilities		
Finance lease	-	-
	<u>-</u>	<u>-</u>
Net exposure	<u>4,208,690</u>	<u>2,741,738</u>

The Group's policy to manage its interest rate exposure by placing funds into term deposits.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 31 December 2012, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Loss Higher/(Lower)		Equity Higher/(Lower)	
	2012 \$	2011 \$	2012 \$	2011 \$
Consolidated				
- .25% (25 basis points)	8,568		(8,568)	
+1% (100 basis points)		(26,974)		26,974
Parent				
- .25% (25 basis points)	268		(268)	
+1% (100 basis points)		(820)		820

The movements in profits and equity are due to lower interest rates from variable cash balances

Significant assumptions used in the interest rate sensitivity analysis include:

- > Management believes that interest rates will reduce during the 12 month period subsequent to balance date.
- > The net exposure at balance date is representative of what the group was and is expecting to be exposed to in the next twelve months from balance date.

NOTE 12: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**Risk Exposures and Responses (continued)**Foreign currency risk

The Group's balance sheet can be affected by movements in the Euro and the Swiss Franc as a result of operations in Europe and as a result of operations in the Pacific region and Fiji.

The Group has transactional currency exposures arising from sales and purchases by Touch Networks Australia in Europe and in the Pacific region.

Approximately 6% of the Group's sales are denominated in currencies other than the functional currency of the Group, whilst approximately 97% of costs are denominated in the Group's functional currency.

At 31 December 2012, the Group has the following exposure to foreign currency that is not designated in cash flow hedges:

	2012 \$	2011 \$
Financial Assets		
Cash and cash equivalents	4,024	1,702
Trade and other receivables	251,528	88,637
	255,552	90,339
Financial Liabilities		
Trade and other payables	513	27,944
	513	27,944
Net exposure	255,039	62,395

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date:

At 31 December 2012, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Loss Higher/(Lower)		Equity Higher/(Lower)	
	2012 \$	2011 \$	2012 \$	2011 \$
Consolidated				
AUD/NZD +10%	0	(138)	(0)	138
AUD/NZD -5%	(0)	80	0	(80)
AUD/EUR +10%	8,767	1,659	(8,767)	(1,659)
AUD/EUR -5%	(5,075)	(961)	5,075	961
AUD/CHF +10%	14,053	3,993	(14,053)	(3,993)
AUD/CHF -5%	(8,136)	(2,312)	8,136	2,312
AUD/FJD +10%	366	158	(366)	(158)
AUD/FJD -5%	(212)	(92)	212	92

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- > Reasonable possible movements in foreign exchange rates recently.
- > The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.
- > Management believes that the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

NOTE 12: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**Risk Exposures and Responses (Continued)**Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

To assist in its expansion plans the Group entered into a loan agreement with Sabatica Pty Ltd (refer note 18) to meet its short term capital requirements in 2011.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities.

The remaining contractual maturities of the Group's and parent entity's financial liabilities are:

	2012 \$	2011 \$
1 year or less	13,493,138	15,212,920
1-2 years	5,407,936	4,871,829
3-4 years	-	-
Over 4 years	-	-
	18,901,074	20,084,749

Maturity analysis of financial assets and liability based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our operations such as plant and equipment and investments in working capital. These assets are considered in the Group's overall liquidity risk.

YEAR ENDED 31 DECEMBER 2012	< 1 year \$	1-2 years \$	2-3 years \$	> 3 Years \$	Total \$
Consolidated Financial assets					
Cash & cash equivalents	4,208,689	-	-	-	4,208,689
Trade & other receivables (note 7)	6,354,268	175,852	-	-	6,530,120
	10,562,957	175,852	-	-	10,738,809
Consolidated Financial liabilities					
Trade & other payables	13,493,138	-	-	-	13,493,138
Interest bearing loans & borrowings	-	5,407,936	-	-	5,407,936
	13,493,138	5,407,936	-	-	18,901,074
Net maturity	(2,930,181)	(5,232,084)	-	-	(8,162,265)

At 31st December 2012, the Group has \$ 3,359,758 of prepaid electronic pins (refer note 8) that are sold in short time frames to generate operating cash flows to meet the Groups liquidity requirements. These pins are not included as financial assets of the Group.

NOTE 12: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**Risk Exposures and Responses (Continued)***Liquidity risk (continued)*

YEAR ENDED 31 DECEMBER 2011	< 1 year \$	1-2 years \$	2-3 years \$	> 3 Years \$	Total \$
Consolidated					
Financial assets					
Cash & cash equivalents	2,741,738	-	-	-	2,741,738
Trade & other receivables	7,978,595	175,852	175,852	-	8,330,299
	10,720,333	175,852	175,852	-	11,072,037
Consolidated					
Financial liabilities					
Trade & other payables	15,212,920	-	-	-	15,212,920
Interest bearing loans & borrowings	-	4,871,829	-	-	4,871,829
	15,212,920	4,871,829	-	-	20,084,749
Net maturity	(4,492,587)	(4,695,977)	175,852	-	(9,012,712)

At 31st December 2011, the Group has \$ 2,429,600 of prepaid electronic pins (refer note 8) that are sold in short time frames to generate operating cash flows to meet the Groups liquidity requirements. These pins are not included as financial assets of the Group.

NOTE 13: SHARE-BASED PAYMENT PLANS**(a) Recognised share-based payment expenses**

The expense recognised for employee services received during the period less lapsed options is shown in the table below:

	2012 \$	2011 \$
Expenses / (revenue) arising from equity-settled share-based payment transactions less lapsed options	-	-

The share based payment plan is described below. There have been no cancellations or modifications to the plan during 2012 and 2011.

(b) Share-based payment plan

The Company has an employee option plan, with a view to aligning the interests of employees with the objectives of the Company and to provide incentives to directors, senior executives and staff. The Touch share option plan applies to both employees and directors.

(c) Summary of options granted under the ESOP

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

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding at the beginning of the year	5,450,000	0.22	5,450,000	0.22
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(450,000)	(0.50)	-	0.00
Outstanding at the end of the year	5,000,000	0.20	5,450,000	0.22
Exercisable at the end of the year	5,000,000	0.20	5,450,000	0.22

The outstanding balance as at 31 December 2012 is represented by:

- 5,000,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable until 2 June 2014;

NOTE 13: SHARE-BASED PAYMENT PLANS (continued)**(d) Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding as at 31 December 2012 is 1.4 years (2011: 2.3 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.20 - \$0.50 (2011: \$0.20 - \$0.50).

(f) Weighted average fair value

There were no options granted in 2012.

(g) Option pricing model: ESOP

The fair value of the equity-settled share options granted under the ESOP is estimated as at the grant date using the Binomial Model taking into account the terms and conditions upon which the options were granted. No calculations were required for the year ended 31 December 2012.

NOTE 14: TRADE AND OTHER PAYABLES (CURRENT)

	2012	2011
	\$	\$
Trade creditors & accruals	13,361,614	14,816,773
Employee benefits	524,874	999,607
Unearned income	131,524	238,552
	14,018,012	16,054,932

The net of GST payable and GST receivable is remitted to the appropriate tax body as required.

Unearned income is recognised when the Group bills in advance for professional and other services to be provided. This practice is consistent with the terms and conditions of formal sales agreements.

(a) Fair Value

Due to the short term nature of these payables, their carrying values are assumed to approximate their fair values.

(b) Financial guarantees

The Group does not hold any financial guarantees. However Sabatica Pty Ltd has provided guarantees in favour of the Group amounting to \$700,000. In 2009 Guinness Peat Group (Australia) Pty Ltd provided a letter of guarantee for \$1,000,000 to secure the supply of prepaid pins from certain suppliers. A fixed interest rate of 10% per annum is to be charged for this facility. Pursuant to the share sale agreement between Sabatica and others, the guarantees remain in place until 31 March 2014.

(c) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk are set out in note 12.

NOTE 15: INTEREST-BEARING BORROWINGS

	2012	2011
	\$	\$
Maturity		
Non-current		
Loan (Note 18)	2014	
	5,407,936	4,871,829

The Group entered into a loan agreement with Sabatica Pty Ltd for \$2,500,000 on the 15th December 2010. In December 2010 \$800,000 was drawn down, with the balance of \$1,700,000 drawn down in two instalments, \$1,000,000 in January 2011 and \$700,000 in March 2011. Interest is being charged at a fixed rate of 10 percent per annum. This loan and the previous loan granted of \$1,500,000, including interest, is due for repayment on 31 March 2014.

NOTE 16: CONTRIBUTED EQUITY AND RESERVES

	2012 \$	2011 \$
<i>(a) Ordinary shares</i>		
Issued and fully paid	37,212,869	37,212,869
	<i>Number</i>	<i>\$</i>
<i>(b) Movement in ordinary shares on issue</i>		
At 31 December 2010	93,000,067	37,212,869
Share issue	-	-
Share issue expenses	-	-
At 31 December 2011	93,000,067	37,212,869
Share issue	-	-
Share issue expenses	-	-
At 31 December 2012	93,000,067	37,212,869
<i>(c) Reserves</i>		
	<i>Employee equity benefits reserve</i>	<i>Total</i>
	<i>\$</i>	<i>\$</i>
At 31 December 2010	247,000	247,000
Share based payment expense	-	-
Lapsed share options	-	-
At 31 December 2011	247,000	247,000
Lapsed share options	(18,000)	(18,000)
Share based payment expense	-	-
At 31 December 2012	229,000	229,000

The employee equity benefits reserve is used to record the fair value of equity benefits provided to employees, senior executives and directors as part of their remuneration.

(d) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern, as well as to provide optimal returns to shareholders and benefits for other stakeholders. The Group constantly reviews the capital structure and the level of return on assets.

NOTE 17: COMMITMENTS AND CONTINGENCIES**Operating lease commitments – Group as lessee**

The Group has entered into a commercial lease for its registered office, which has a remaining period of 8 months at balance date. For its registered office the Group has an annual renewal option until 31 August 2015. The Company has also entered into leases for a data centre and associated communications costs, and an agreement for the supply of a reporting system. There are no restrictions placed upon the lessee by entering into this lease. Future minimum rentals payable under the non-cancellable operating lease is as follows:

	2012 \$	2011 \$
Within one year	479,317	402,597
After one year but not more than five years	211,959	260,585
More than five years	-	-
Total minimum lease payments	691,276	663,182

Finance lease commitments - Group as lessee

The Company has no finance leases.

NOTE 18: RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of Touch Holdings Limited and the subsidiaries listed in the following table.

<i>Name</i>	<i>Country of incorporation</i>	<i>% Equity interest 2012</i>	<i>% Equity interest 2011</i>	<i>Investment (\$) 2012</i>	<i>Investment (\$) 2011</i>
Touch Networks Australia Pty Ltd	Australia	100%	100%	9,000,000	9,000,000
Touch Networks Pty Ltd	Australia	100%	100%	-	-
				<u>9,000,000</u>	<u>9,000,000</u>

Details of the investment in subsidiary is as follows:

	<i>2012 \$</i>	<i>2011 \$</i>
Investment in subsidiary at cost	11,296,208	11,296,208
AASB Interpretation 11	1,348,051	1,348,051
Allowance for impairment loss	(3,644,259)	(3,644,259)
	<u>9,000,000</u>	<u>9,000,000</u>

Touch Holdings Limited is the ultimate Australian parent entity and up until 14 December 2012, the ultimate parent of the Group was Guinness Peat Group plc incorporated in the United Kingdom.

Touch Networks Pty Ltd is a wholly owned subsidiary of Touch Networks Australia Pty Ltd.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant period.

<i>Related party</i>		<i>Sales to related parties \$</i>	<i>Purchases from related parties \$</i>	<i>Amounts owed by related parties \$</i>	<i>Amounts owed to related parties \$</i>
The immediate parent (up until 14 December 2012)					
Sabatica Pty Ltd (i)	2012	-	536,107	-	5,407,936
	2011	-	2,186,941	-	4,871,829
Entity with significant influence over the Group:					
VIX Payments (was Intellect International N.V)	2012	-	23,492	-	-
	2011	-	60,644	-	26,466
Director related entities					
Tamoda Pty Ltd	2012	-	443,284	-	-
	2011	-	316,671	-	-
Retford Resources NL	2012	-	-	-	-
	2011	-	7,194	-	-
GPG Services Pty Ltd	2012	-	54,043	-	-
	2011	-	13,375	-	13,375
Ingot Capital Management Pty Ltd	2012	-	18,750	-	-
	2011	-	6,875	-	6,875
Custodial Asset Finance Pty Ltd	2012	-	6,250	-	6,250
	2011	-	-	-	-

NOTE 18: RELATED PARTY DISCLOSURE (continued)

(i) In 2008 the Group entered into a loan agreement with Sabatica Pty Ltd for \$1,500,000 and for \$2,500,000 in 2010. The balance owing includes interest accrued from both loans. Interest is being charged at a fixed rate of 10 percent per annum. These loan plus interest are due for repayment on 31 March 2014.

Touch Networks Investments Limited (formerly Vix Payments and Intellect International N.V) owns 25.8% of the ordinary shares in Touch Holdings Limited (2011: 25.8%). Transactions between the companies relate to reimbursement of expenses and are settled on terms in line with other creditors.

Tamoda Pty Ltd supplies the services of director Denis Calvert to the Group. Invoices are settled on terms in line with other creditors.

Up until 14 December 2012 Sabatica Pty Ltd owned 56% of the ordinary shares in Touch Holdings Limited (2011: 56%), and is a wholly-owned subsidiary of Guinness Peat Group Plc. Sabatica Pty Ltd has provided bank guarantees in favour of the Group amounting to \$700,000. The bank fees pertaining to the bank guarantees are charged to the Group upon renewal of the guarantees. In 2009 Guinness Peat Group (Australia) Pty Ltd provided a letter of guarantee for \$1,000,000 to secure the supply of prepaid pins from certain suppliers. A fixed interest rate of 10% per annum is to be charged for this facility. Guinness Peat Group (Australia) Pty Ltd owns 100% of Sabatica Pty Ltd.

The payments made to Retford Resources NL pertain to directors fees and expenses payable for the services provided by the chairman, Mr Michael Jefferies. The fees are paid on a quarterly basis at the end of the quarter and expenses are settled on terms in line with other creditors. Due to a restructure in 2011 these payments are now being made to GPG Services Pty Ltd.

The invoices received from Sabatica Pty Ltd are generally paid within 30 days of the invoice date.

The payments made to Ingot Capital Management Pty Ltd pertain to directors fees for the services for Duncan Saville a Non-executive director. These payments are now being made to Custodial Asset Finance Pty Ltd. The fees are paid on a quarterly basis at the end of the quarter on terms in line with other creditors..

(b) KMP

Details relating to KMP, including remuneration paid are included in note 21.

NOTE 19: EVENTS AFTER THE BALANCE SHEET DATE

The directors are not aware of any other matter or circumstance which has arisen since 31 December 2012 that has significantly affected or may significantly affect the operations of the consolidated entity in subsequent financial years, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

NOTE 20: AUDITOR'S REMUNERATION

Amounts received or due and receivable by Ernst & Young (Australia) for:

- An audit or review of the financial report of the entity and any other entity in the consolidated Group
- Other services in relation to the entity and any other entity in the consolidated Group
 - tax compliance & planning

<i>CONSOLIDATED</i>	
<i>2012</i>	<i>2011</i>
<i>\$</i>	<i>\$</i>
138,020	133,600
13,238	21,702
151,258	155,302

NOTE 21: KEY MANAGEMENT PERSONNEL**(a) Compensation of Key Management Personnel**

	CONSOLIDATED	
	2012	2011
	\$	\$
Short-term employee benefits	2,056,224	1,561,546
Post employment benefits	111,378	102,646
Other long-term benefits	79,270	20,920
Termination benefits	21,171	-
Share based payment	-	-
Total compensation	2,268,043	1,685,112

Touch Holdings Limited (Parent) is an investment holding company. The directors and key management personnel of the Group focus on the operations of the Group which are in Touch Networks Australia Pty Ltd and Touch Networks Pty Ltd.

(b) Option holdings of key management personnel (Consolidated)

Vested at 31 December 2012

31 Dec 2012	Balance at beg of period 1-Jan-12	Granted as remuneration	Options exercised	Net change other #	Balance at end of period 31-Dec-12	Total	Exercisable	Not Exercisable
Directors								
Michael Jefferies	-	-	-	-	-	-	-	-
Adrian Cleeve	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000	-
Duncan Saville	-	-	-	-	-	-	-	-
Hatim Tyabji	-	-	-	-	-	-	-	-
Denis Calvert	-	-	-	-	-	-	-	-
Executives								
Peter Wardrop	-	-	-	-	-	-	-	-
Jason Van	250,000	-	-	(250,000)	-	-	-	-
Antonio Bianco	200,000	-	-	(200,000)	-	-	-	-
Stuart Mills	-	-	-	-	-	-	-	-
Philip Kanizay	-	-	-	-	-	-	-	-
Total	5,450,000	-	-	(450,000)	5,000,000	5,000,000	5,000,000	-

Includes forfeitures

Vested at 31 December 2011

31 Dec 2011	Balance at beg of period 1-Jan-11	Granted as remuneration	Options exercised	Net change other #	Balance at end of period 31-Dec-11	Total	Exercisable	Not Exercisable
Directors								
Michael Jefferies	-	-	-	-	-	-	-	-
Adrian Cleeve	5,000,000	-	-	-	5,000,000	5,000,000	5,000,000	-
Hatim Tyabji	-	-	-	-	-	-	-	-
Denis Calvert	-	-	-	-	-	-	-	-
Executives								
Peter Wardrop	-	-	-	-	-	-	-	-
Jason Van	250,000	-	-	-	250,000	250,000	250,000	-
Antonio Bianco	200,000	-	-	-	200,000	200,000	200,000	-
Philip Kanizay	-	-	-	-	-	-	-	-
Total	5,450,000	-	-	-	5,450,000	5,450,000	5,450,000	-

Includes forfeitures

NOTE 21: KEY MANAGEMENT PERSONNEL (CONTINUED)**(c) Shareholdings of key management personnel (consolidated)***Shares held in Touch Holdings Limited*

31 Dec 2012	Balance 1-Jan-12	Granted as remuneration	On exercise of options	Net change other	Balance 31-Dec-12
Directors					
Michael Jefferies	-	-	-	-	-
Adrian Cleeve	-	-	-	18,600,000	18,600,000
Hatim Tyabji	150,000	-	-	-	150,000
Duncan Saville	24,000,000	-	-	-	24,000,000
Denis Calvert	100,000	-	-	-	100,000
Executives					
Peter Wardrop (resigned 7/12/2012)	100,000	-	-	-	100,000
Jason Van	-	-	-	-	-
Stuart Mills (terminated 30/05/2012)	-	-	-	-	-
Philip Kanizay	-	-	-	-	-
Antonio Bianco	2,000	-	-	-	2,000
Total	24,352,000	-	-	18,600,000	42,952,000

31 Dec 2011	Balance 1-Jan-11	Granted as remuneration	On exercise of options	Net change other	Balance 31-Dec-11
Directors					
Michael Jefferies	-	-	-	-	-
Adrian Cleeve	-	-	-	-	-
Hatim Tyabji	150,000	-	-	-	150,000
Denis Calvert	100,000	-	-	-	100,000
Executives					
Peter Wardrop	100,000	-	-	-	100,000
Jason Van	-	-	-	-	-
Stuart Mills (Appointed 13/09/2011)	-	-	-	-	-
Philip Kanizay	-	-	-	-	-
Antonio Bianco	2,000	-	-	-	2,000
Total	352,000	-	-	-	352,000

All equity transactions with KMP other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

(d) Other transactions with key management personnel and their related parties


There are no other transactions with key management personnel and their related parties.

Directors' Declaration

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

1. In the opinion of the directors:
 - (a) The financial statements and notes of Touch Holdings Limited for the year ended 31 December 2012 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of its financial position as at 31 December 2012 and performance
 - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*.
 - (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in 2(a)
 - (c) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2012.

On behalf of the Board

A handwritten signature in black ink, consisting of a stylized 'A' followed by a horizontal line.

Adrian Cleeve
Managing Director
28 March 2013



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Independent auditor's report to the members of Touch Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Touch Holdings Limited, which comprises the consolidated balance sheet as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2 (a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



Opinion

In our opinion:

- a. the financial report of Touch Holdings Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial positions as at 31 December 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 12 of the directors' report for the year ended 31 December 2012. 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.

Opinion

In our opinion, the Remuneration Report of Touch Holdings Limited for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of the Ernst & Young firm, appearing as 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature of David R. McGregor, written in dark ink.

D. R. McGregor
Partner
Melbourne
28 March 2013

Touch Holdings Limited

Directors

Michael Jefferies, Chairman
Adrian Cleeve, Managing Director
Hatim Tyabji, Non-Executive Director
Denis Calvert, Executive Director
Duncan Saville, Non-Executive Director

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