



Touchcorp Limited

Bermudan Company registration number 48280
Australian Registered Body Number 603 731 184

and controlled entities

ANNUAL FINANCIAL REPORT

For the year ended 31 December 2014

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DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2014.

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 (Resigned 26 May 2014)

Hatim Tyabji, Non-executive Director

Duncan Saville, Non-executive Director

Michael Walters, Alternate to Duncan Saville (Resigned 31 December 2014)

All of the directors have been in office for the entire period unless otherwise stated.

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 20 years as an executive of Guinness Peat Group plc, an international investment group listed on the major stock exchanges in London, Australia and New Zealand. He is also a Non-executive Director of RESIMAC and Ozgrowth Ltd and has been a director of a number of listed public companies in Australia and New Zealand.

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. His book "Husband, Wife and Company: An Honest Perspective on Success in Life and Work" deals with the complex interrelationships between family and career. Hatim Tyabji is chairman of Jasper Wireless and Best Buy (NYSE) and serves on the board of the Missile Defence Advocacy Alliance.

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 and has been Managing Director and Chief Executive Officer of the Touch Group since 2008.

Denis Calvert (Executive Director - resigned 26 May 2014)

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, Vix Investments Limited, Non-executive Director of Infratil Limited, New Zealand Oil and Gas Limited, Somers Limited and West Hamilton Holdings Limited. He is an experienced Non-executive Director having previously been a Non-Executive Director of a number of listed utility and investment companies.

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.

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 | 4 |
| A. Cleeve | 4 | 4 |
| D. Saville | 4 | 4 |
| D. Calvert | 2 | 2 |

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. Saville

H. Tyabji

The committee met twice during the year.

Principal activity

Touchcorp Limited and its subsidiary companies (the Group) has designed, built, owns and operates an internally developed software platform that enables the electronic delivery of non-physical products, services and entitlements to the end-users through multiple service points, whether in-store or through self-service methods. Touch achieves this through establishing connectivity between businesses wishing to deliver and/or sell Electronic Products and businesses wishing to sell these Electronic Products in-store. Consumers can either purchase these Electronic Products in-store or directly via self-service methods.

Touch currently operates within three business verticals; Retail Services, Mobility Services and Health & Government Services; each offering different products and services:

- **Retail Services enables point-of-sale devices commonly found on retail premises, such as payment terminals, electronic cash registers and self-service kiosks, to be used to sell over 600 Electronic Products (e.g. mobile phone and broadband recharge vouchers, calling cards, iTunes cards, road tolling, fishing licences, gaming cards and attraction tickets);**
- **Mobility Services enables mobile network operators and mobile virtual network operators to accept payments and purchases of Electronic Products in real-time by Consumers through self-service methods; and**
- **Health & Government Services enables a range of electronic claiming solutions designed to streamline processing and payments of health insurance claims by Consumers (i.e. patients) originating in medical and allied health practices, in real-time at the point of service provision, using existing payment terminals or practice management systems.**

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 integration services.

Dividends

No dividends were paid or declared by the Company during the year ended 31 December 2014.

Review of Operations

On 10 January 2014, the Touch Holdings Group, being Touch Holdings Limited ("THL") and its subsidiaries, completed a restructure which resulted in a non-operating holding company Touchcorp Limited ("TCL") replacing THL as the ultimate parent of Touch Holdings Group. Further details of the transaction are detailed in note 1 of this financial report.

TCL's consolidated financial statements for the year ended 31 December 2014 are presented as a continuation of the consolidated THL financial statements.

For the year ended 31 December 2014 (FY14), Touchcorp Limited and its consolidated entities (the Group) recorded a profit before tax of \$6,700,956, which represents a significant improvement from the prior corresponding year ended 31 December 2013 (FY13) of \$4,061,350. During FY14, the Group generated \$24,770,074 in revenue; representing a 30% increase from FY13 recorded revenue of \$19,054,991. In line with revenue growth, cost of sales increased from \$ 3,258,682 in FY13 to \$ 5,478,120. Other income increased from \$268,875 in FY13 to \$1,694,683 in FY14.

The Group invested heavily in FY 2014 developing and deploying new and innovative systems. The deployment of these new systems has resulted in increased revenue being derived in Australia and Europe for FY14. Revenue is expected to grow in FY15 as system developments are being deployed to customer environments and are expected to make contributions to FY 15 revenue.

The Touch Mobility suite of services, which enables consumers to make payments, choose service offerings and purchase products directly from their mobile devices, continues to grow. In the retail environment installations of the pcTouch and TouchPoint integrated point of sale systems and stand alone terminal roll outs in Europe and Australia with new customers will also result in additional transactions and revenue for the Group.

The Group continues to invest in new platform capabilities and operating systems and supports these programs with appropriate staff and external consultants. To facilitate the Group in pursuing additional growth opportunities in key areas, employee numbers increased in FY14 from 57 to 93 and are expected to remain steady in FY15.

During the course of 2013 and in 2014 the Group upgraded its infrastructure to accommodate rapidly increasing transaction numbers. The Group expects rapid growth in the number of transactions carried to continue and management is confident that infrastructure upgrades ensure that the expected growth in transaction numbers can be processed.

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, other than the Group restructure which is detailed in Note 1 to the financial statements.

Significant Events Subsequent to Balance Date

The directors are exploring strategic options in relation to the future capital structure, however these deliberations have not reached a point where any meaningful information can be provided to shareholders.

Except as noted above, the directors are not aware of any other matter or circumstance which has arisen since 31 December 2014 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

The Group is continuing to expand in Europe and Australia, signing new, and building on existing customer contracts. In light of the future growth prospects the Group is currently assessing its capital options and strategies.

Environmental Regulation and Performance

There have been no known breaches of environmental regulations.

Share Option Plan

Unissued shares

As at the date of this report there were 5,000,000 unissued ordinary shares under options (FY13 5,000,000).

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.

Details of the option plan are disclosed in Note 12 to the Financial Statements.

Company Equity Incentive Plan (EIP)

As at the date of this report there were 1,563,500 issued ordinary shares under the EIP (FY13 Nil).

EIP Shareholders are entitled to exercise the voting rights attaching to their ordinary shares from the date of allocation of those shares.

Details of the share plan are disclosed in Note 12 to the Financial Statements.

Indemnification and insurance of directors and officers.

Indemnification

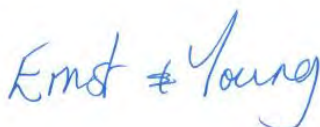
Article 95 of the Company's bye-laws provides

- 95.1 To the extent permitted by law and subject to the restrictions in section 199A of the Corporations Act, (which apply by virtue of the fact that the Company is registered as a foreign company with the Australian Securities and Investments Commission) 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.

Subsequent to the financial period the Company intends to invite officers of the Company to enter into Deeds of Indemnity and Access 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.

Auditor's Independence Declaration to the Directors of Touchcorp Limited

In relation to our audit of the financial report of Touchcorp Limited for the year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



D.R. McGregor
Partner
Melbourne
30 January 2015

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.

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

Details of Key Management Personnel

(i) Directors

| | |
|-------------------|--|
| Michael Jefferies | Chairman (Non-executive) |
| Adrian Cleeve | Managing Director (Executive) |
| Hatim Tyabji | Director (Non-executive) |
| Denis Calvert | Director (Executive) - (Resigned 26 May 2014) |
| Duncan Saville | Director (Non-executive) |
| Michael Walters | Alternate Director to Duncan Saville (Resigned 31 December 2014) |

(ii) Executives

| | |
|-----------------|---|
| Keith Cleeve | General Manager Business Solutions |
| David Jacklin | General Manager of IT |
| Antonio Bianco | Chief Financial Officer |
| Jason Van | Head of Platforms, Development & Operations |
| Goran Abramovic | General Manager - Europe |

Remuneration philosophy

The performance of the Group depends upon the quality and performance of its directors and executives. Entity superior performance requires 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 performing executives;
- Link executive rewards to shareholder value;
- Have a portion of executive remuneration 'at risk', dependent upon meeting performance benchmarks; and
- Establish appropriate and 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 Company's bye-laws specify 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, prior to the acquisition of Touch Holdings Limited 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 2013 and 31 December 2014 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, leadership and 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 and 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 fixed 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 and 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

TABLE 1: REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2014

| | Short-term | | Post | Long-term | | Share based | Total | Performance |
|--|------------------|----------------|----------------|--------------------|-------------|---------------|------------------|-------------|
| | Salary & Fees | Cash Bonus | Employment | Long-term | Termination | payment | | related |
| | \$ | \$ | Superannuation | Long Service Leave | \$ | Options | \$ | % |
| Non-executive directors | | | | | | | | |
| Michael Jefferies | 75,708 | - | - | - | - | - | 75,708 | - |
| Hatim Tyabji | 110,855 | - | - | - | - | - | 110,855 | - |
| Duncan Saville | 25,000 | - | - | - | - | - | 25,000 | - |
| Sub-total non-executive directors | 211,563 | - | - | - | - | - | 211,563 | |
| Executive directors | | | | | | | | |
| Adrian Cleeve | 484,156 | 140,000 | 17,627 | 11,826 | - | - | 653,609 | 28.9 |
| Denis Calvert (Resigned 26 May 2014) | 130,000 | 75,000 | - | - | - | 6,489 | 211,489 | 57.7 |
| Other key management personnel | | | | | | | | |
| Keith Cleeve | 201,235 | 18,307 | 20,559 | 8,995 | - | 5,408 | 254,504 | 9.1 |
| Antonio Bianco | 166,686 | 9,153 | 16,474 | 4,779 | - | 2,298 | 199,390 | 5.5 |
| David Jacklin | 164,999 | 13,251 | 16,717 | 4 | - | - | 194,971 | 8.0 |
| Goran Abramovic | 225,276 | 20,000 | - | - | - | 5,408 | 250,684 | 8.9 |
| Jason Van | 223,208 | 315,000 | 17,627 | 7,898 | - | 6,489 | 570,222 | 141.1 |
| Sub-total executive KMP | 1,595,560 | 590,711 | 89,004 | 33,502 | - | 26,092 | 2,334,869 | |
| Totals | 1,807,123 | 590,711 | 89,004 | 33,502 | - | 26,092 | 2,546,432 | |

Remuneration report (audited) (continued)

Remuneration of key management personnel

TABLE 2: REMUNERATION FOR THE YEAR ENDED 31 DECEMBER 2013

| | Short-term | | Post Employment | Long-term | | Share based payment | Total | Performance related |
|--|------------------|----------------|--------------------|--------------------|-------------|------------------------|------------------|------------------------|
| | Salary & Fees | Cash Bonus | Superannuation | Long Service Leave | Termination | Options | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % |
| Non-executive directors | | | | | | | | |
| Michael Jefferies | 45,000 | - | - | - | - | - | 45,000 | - |
| Hatim Tyabji | 99,835 | - | - | - | - | - | 99,835 | - |
| Duncan Saville | 25,000 | - | - | - | - | - | 25,000 | - |
| Sub-total non-executive directors | 169,835 | - | - | - | - | - | 169,835 | |
| Executive directors | | | | | | | | |
| Adrian Cleeve | 484,135 | 50,000 | 16,470 | 14,916 | - | - | 565,521 | 10.3 |
| Denis Calvert | 240,000 | 30,000 | - | - | - | - | 270,000 | 12.5 |
| Other key management personnel | | | | | | | | |
| Keith Cleeve | 150,862 | - | 13,766 | 3,298 | - | - | 167,926 | - |
| Antonio Bianco | 157,500 | - | 14,372 | 9,866 | - | - | 181,738 | - |
| David Jacklin | 163,308 | 4,577 | 15,328 | 328 | - | - | 183,541 | 2.8 |
| Goran Abramovic | 167,477 | 20,000 | - | - | - | - | 187,477 | 11.9 |
| Jason Van | 223,809 | 40,000 | 16,470 | 11,245 | - | - | 291,524 | 17.9 |
| Sub-total executive KMP | 1,587,091 | 144,577 | 76,406 | 39,653 | - | - | 1,847,727 | |
| Totals | 1,756,926 | 144,577 | 76,406 | 39,653 | - | - | 2,017,562 | |

Signed in accordance with a resolution of the directors



Michael Jefferies
Chairman
30 January 2015

Consolidated statement of comprehensive income

For the year ended 31 December 2014

| | Note | 2014 \$ | 2013 \$ |
|--|------|-------------------|-------------------|
| Rendering of services | | 24,770,074 | 19,054,991 |
| Revenue | | 24,770,074 | 19,054,991 |
| Cost of sales | | (5,478,120) | (3,258,682) |
| Gross profit | | 19,291,954 | 15,796,309 |
| Rental income | | 104,943 | 58,875 |
| Government grants | | 1,589,740 | 210,000 |
| Total other income | | 1,694,683 | 268,875 |
| Depreciation | 9 | (798,574) | (533,813) |
| Amortisation | 10 | (19,666) | (19,666) |
| Employee benefits expense | 4(b) | (6,142,946) | (7,202,774) |
| Doubtful debts expense | 7 | (44,120) | 6,510 |
| Rental expenses | | (756,360) | (638,058) |
| Advertising expenses | | (498,125) | (424,715) |
| Customer development expenses | 4(c) | (1,410,321) | - |
| Insurance expense | | (123,906) | (117,808) |
| Legal expenses | | (580,727) | (325,976) |
| Contractor expenses | | (657,825) | (457,306) |
| Corporate & compliance expenses | | (654,076) | (555,095) |
| Travel & accommodation expenses | | (980,359) | (703,785) |
| Other expenses | 4(a) | (1,685,722) | (931,596) |
| Operating Profit | | 6,633,910 | 4,161,102 |
| Interest expense | | (321) | (142,064) |
| Interest revenue | | 67,367 | 42,312 |
| Profit before tax | | 6,700,956 | 4,061,350 |
| Income tax benefit | 5 | 6,842,006 | - |
| Profit for the year | | 13,542,962 | 4,061,350 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year, net of tax | | 13,542,962 | 4,061,350 |
| Earnings Per share | 20 | | |
| Basic, profit for the year attributable to ordinary equity holders of the Parent | | \$0.14 | \$0.04 |
| Diluted, profit for the year attributable to ordinary equity holders of the Parent | | \$0.14 | \$0.04 |

Consolidated statement of financial position

At 31 December 2014

| | Note | 2014 \$ | 2013 \$ |
|--------------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 6 | 2,653,602 | 5,498,957 |
| Trade and other receivables | 7(a) | 9,687,958 | 7,058,410 |
| Other current assets | 8 | 5,854,326 | 4,764,311 |
| Total Current Assets | | 18,195,886 | 17,321,678 |
| Non-current Assets | | | |
| Deferred tax asset | 5 | 6,842,006 | - |
| Property, plant and equipment | 9 | 1,667,267 | 1,198,223 |
| Intangible assets | 10 | 5,024,622 | 195,146 |
| Total Non-current Assets | | 13,533,895 | 1,393,369 |
| TOTAL ASSETS | | 31,729,781 | 18,715,047 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 13 | 17,269,635 | 18,136,754 |
| Annual leave provision | | 377,210 | 227,184 |
| Long service leave provision | | 188,764 | 124,312 |
| Total Current Liabilities | | 17,835,609 | 18,488,250 |
| Non-current Liabilities | | | |
| Long service leave provision | | 119,084 | 107,741 |
| Annual leave provision | | 226,517 | 155,723 |
| Total Non-current Liabilities | | 345,601 | 263,464 |
| TOTAL LIABILITIES | | 18,181,210 | 18,751,714 |
| NET ASSETS /(LIABILITIES) | | 13,548,571 | (36,667) |
| EQUITY | | | |
| Issued capital | 14(a) | 37,212,869 | 37,212,869 |
| Accumulated losses | | (23,935,574) | (37,478,536) |
| Reserves | 14(c) | 271,276 | 229,000 |
| TOTAL EQUITY | | 13,548,571 | (36,667) |

Consolidated statement of changes in equity

For the year ended 31 December 2014

| | <i>Issued capital (note 14(b))</i> | <i>Accumulated losses</i> | <i>Reserves (note 14(c))</i> | <i>Total</i> |
|---|--|-------------------------------|----------------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| At 1 January 2014 | 37,212,869 | (37,478,536) | 229,000 | (36,667) |
| Profit for the period | - | 13,542,962 | - | 13,542,962 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive profit for the period | - | 13,542,962 | - | 13,542,962 |
| Transactions with employees and executives | | | | |
| Share based payment expenses | - | - | 42,276 | 42,276 |
| At 31 December 2014 | 37,212,869 | (23,935,574) | 271,276 | 13,548,571 |

| | <i>Issued capital (note 14(b))</i> | <i>Accumulated losses</i> | <i>Reserves (note 14(c))</i> | <i>Total</i> |
|--|--|-------------------------------|----------------------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| At 1 January 2013 | 37,212,869 | (41,539,886) | 229,000 | (4,098,017) |
| Profit for the period | - | 4,061,350 | - | 4,061,350 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the period | - | 4,061,350 | - | 4,061,350 |
| At 31 December 2013 | 37,212,869 | (37,478,536) | 229,000 | (36,667) |

Consolidated statement of cashflows

For the year ended 31 December 2014

Note

2014
\$

2013
\$

Cash flows from operating activities

| | | |
|--|---------------|---------------|
| Receipts from customers (inclusive of GST) | 240,201,610 | 197,646,451 |
| Payments to employees | (5,197,975) | (6,772,247) |
| Payments to suppliers (inclusive of GST) | (231,799,597) | (183,153,886) |

Net cash flows from operating activities **6** **3,204,038** **7,720,318**

Cash flows from investing activities

| | | |
|---------------------------------|-------------|-----------|
| Interest received | 67,367 | 42,312 |
| Development of core technology | (4,849,142) | - |
| Purchase of plant and equipment | (1,267,618) | (922,363) |

Net cash flows (used in) investing activities **(6,049,393)** **(880,051)**

Cash flows from financing activities

| | | |
|-------------------------|---|-------------|
| Repayment of borrowings | - | (5,550,000) |
|-------------------------|---|-------------|

Net cash flows from financing activities **-** **(5,550,000)**

| | | |
|--|-------------|-----------|
| Net (decrease)/increase in cash and cash equivalents | (2,845,355) | 1,290,267 |
| Cash and cash equivalents at beginning of period | 5,498,957 | 4,208,690 |

Cash and cash equivalents at end of period **6** **2,653,602** **5,498,957**

For the year ended 31 December 2014**NOTE 1: CORPORATE INFORMATION**

The consolidated financial report of Touchcorp Limited and its controlled entities (the Group) for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 30 January 2015.

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. In addition the Group 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 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 integration and processing fees.

Group restructure

Touchcorp Limited was incorporated on 21 October 2013 as a special purpose company to make an offer to acquire all of the shares of Touch Holdings Limited (THL). Touchcorp has not conducted any business other than to be the holding company of THL since the successful completion of the acquisition of THL on 10 January 2014. Accordingly Touchcorp's consolidated financial statements for the year ended 31 December 2014 are presented as a continuation of the consolidated THL's financial statements.

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

Touchcorp Limited was incorporated 21 October 2013. On the 10 January 2014 Touchcorp Limited completed the acquisition of Touch Holdings Limited, which resulted in Touchcorp becoming the ultimate parent of the Group. These accounts reflect the acquisition of THL as if it was made on 1 January 2014. Prior to the acquisition of THL, Touchcorp did not undertake any business activities.

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.

(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.

For the year ended 31 December 2014**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(b) New accounting standards and interpretations**

The following standards and interpretations have been applied:

► AASB 2011-4 - Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements. This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. Effective 1 Jan 2014. Adoption of this standard did not have a significant impact on the financial report.

► AASB 2013-3 - Amendments to AASB 136. Recoverable Amount Disclosures for Non-Financial Assets. AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. Adoption of this standard did not have a significant impact on the financial report.

► AASB 1031 - Materiality. The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed. Effective 1 Jan 2014. Adoption of this standard did not have a significant impact on the financial report.

► AASB 1053 - Application of Tiers of Australian Accounting Standards.

This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards

(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

The following entities apply Tier 1 requirements in preparing general purpose financial statements:

- (a) For-profit entities in the private sector that have public accountability (as defined in this Standard)
- (b) The Australian Government and State, Territory and Local Governments

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

- (a) For-profit private sector entities that do not have public accountability
- (b) All not-for-profit private sector entities
- (c) Public sector entities other than the Australian Government and State, Territory and Local Governments.

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 and 2012-11.

Effective 1 Jan 2014. Adoption of this standard did not have a significant impact on the financial report.

For the year ended 31 December 2014

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

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 2014

| Reference | Title | Summary | Application date of standard | Impact on Group financial report | Application date for Group |
|-----------------|-----------------------|--|------------------------------|--|----------------------------|
| AASB 9 / IFRS 9 | Financial Instruments | <p>On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p>The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> | 1-Jan-18 | The Group expects that there will be no material impact. | 1-Jan-18 |

For the year ended 31 December 2014

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 2014-1 Part A -Annual Improvements 2010–2012 Cycle | Amendments to Australian Accounting Standards - PartA Annual Improvements to IFRSs 2010–2012 Cycle | <p>AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.</p> <p>Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:</p> <ul style="list-style-type: none"> ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137. ► AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed. | 1-Jan-15 | The Group expects that there will be no material impact. | 1-Jan-15 |

For the year ended 31 December 2014

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 2014-4 | Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) | <p>AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p> | 1-Jan-16 | The Group expects that there will be no material impact. | 1-Jan-16 |

For the year ended 31 December 2014

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 the assumptions detailed in note 12. 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.

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 10 for further information.

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Development costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed and when the preliminary project stage has been completed. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, expected period of benefits and determination of whether the expenditure will result in significant functionality. Touch has restricted its policy to only capitalising projects that are significant, as this minimises risk over capitalisation and is viewed as consistent with industry peers. **Touch's policy is to capitalise expenditure for new product development, or product development that significantly enhances existing software, that is expected to result in significant commercial benefits.**

For the year ended 31 December 2014**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(c) Significant accounting judgements, estimates and assumptions (continued)****(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 the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ▶ Exposure, or rights, to variable returns from its involvement with the investee
- ▶ The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement(s) with the other vote holders of the investee
- ▶ Rights arising from other contractual arrangements
- ▶ The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the noncontrolling interests having a deficit balance. When necessary, **adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.** All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

For the year ended 31 December 2014**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(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) Rendering of services

The Group facilitates the sales of electronic products and services for which it receives a fee for every successful transaction. Revenue from integration 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 there is a final customer acceptance condition in the contract, revenue is recognised only upon customer acceptance.

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

(ii) 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.

(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.

Group as a lessee

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(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) Foreign currency translation

Both the functional and presentation currency of Touchcorp 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 2014**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(j) 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:

- ▶ When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ▶ 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

Touchcorp Limited's 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.

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 2014**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(k) 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.

(l) 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 2014**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(m) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic 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 are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

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.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- ▶ The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- ▶ Its intention to complete and its ability to use or sell the asset
- ▶ How the asset will generate future economic benefits
- ▶ The availability of resources to complete the asset
- ▶ The ability to measure reliably the expenditure during development
- ▶ The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

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 and internally generated |
| 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. |

For the year ended 31 December 2014**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(n) 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.

(o) 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.

(p) 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.

For the year ended 31 December 2014**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****(q) 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) and the Equity Incentive Plan (EIP) provides benefits to executive directors and senior executives, and other staff as agreed by the Board of Directors.

Under the EIP, Eligible executives are provided with an interest free, non-recourse loan from the Group for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding. Executives are entitled to exercise the voting rights attaching to their Touchcorp Limited ordinary shares from the date of allocation of those shares. Shares allocated under this plan in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. A share-based payments expense is recognised in the income statement over the vesting period based on the fair value of the options. Settlement of share loans upon vesting are recognised as contributed equity. The vesting of shares under the EIP will depend on the satisfaction of certain key performance indicators by the executive. If the executive leaves within the vesting period the shares allocated are returned to Touchcorp Limited.

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 an independent expert.

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 consolidated 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 consolidated 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.

(r) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

(s) 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

| | 2014 \$ | 2013 \$ |
|--|---------------------|---------------------|
| Australia and Pacific revenue | | |
| Retail Services | 10,660,705 | 8,177,208 |
| Health & Government | 1,646,087 | 1,509,979 |
| Mobility Services | 10,022,027 | 8,486,560 |
| Total Australia and Pacific revenue | 22,328,819 | 18,173,747 |
| International revenue | | |
| Retail Services | 2,441,255 | 881,244 |
| Total International revenue | 2,441,255 | 881,244 |
| Total segment revenue | 24,770,074 | 19,054,991 |
| Direct costs | | |
| Australia & Pacific | (4,650,243) | (3,240,405) |
| International | (827,877) | (18,277) |
| Total Direct costs | (5,478,120) | (3,258,682) |
| Segment result | | |
| Australia & Pacific | 17,678,576 | 14,933,342 |
| International | 1,613,378 | 862,967 |
| Total segment result | 19,291,954 | 15,796,309 |
| Government grants and other income | 1,694,683 | 268,875 |
| Indirect expenses | (13,534,487) | (11,350,603) |
| Depreciation & amortisation expense | (818,240) | (553,479) |
| Interest revenue | 67,367 | 42,312 |
| Interest expense | (321) | (142,064) |
| Profit before tax | 6,700,956 | 4,061,350 |
| Income tax benefit | 6,842,006 | - |
| Profit for the period | 13,542,962 | 4,061,350 |

The reporting segments of Australia & Pacific and International have been chosen as these segments are those in which the chief operating decision maker receives information for the purpose of resource allocation and assessment of segment performance. Touch's primary reporting format is geographical segments as its growth and outlook, risks and rates of return are predominantly affected by having operations in different countries, along with revenue segmentation between Retail Services, Health and Government and Mobility Services. Also, Group financing (including finance costs and finance income), income taxes and indirect expenses such as employee benefits expense, customer development expenses, corporate and compliance expenses, legal and travel and accommodation expenses are managed on a Group basis and are not allocated to operating segments.

NOTE 4: EXPENSES

| | 2014 | 2013 |
|--|------|------|
| | \$ | \$ |

Expenses**(a) Lease payments and other expenses included in income statement**

| | | |
|----------------------------------|------------------|----------------|
| Staff procurement | 119,672 | 22,822 |
| Telephone & data expenses | 193,125 | 116,331 |
| Touch hosted conference costs | 243,321 | - |
| Minor assets not capitalised | 118,956 | 53,877 |
| Staff amenities | 284,922 | 180,767 |
| Bank fees | 87,909 | 62,193 |
| Rental of equipment | 86,738 | 74,458 |
| Computer & equipment maintenance | 289,204 | 184,558 |
| Entertainment | 130,073 | 92,038 |
| Other expenses | 131,802 | 144,552 |
| Total | 1,685,722 | 931,596 |

(b) Employee benefits expense

| | | |
|-------------------------------------|------------------|------------------|
| Wages and salaries | 9,999,598 | 6,706,071 |
| Less capitalised wages and salaries | (4,820,991) | - |
| Fringe benefits tax | 217,301 | 71,343 |
| Share based payments expense | 42,276 | - |
| Workers' compensation costs | 20,905 | 14,029 |
| Superannuation costs | 683,857 | 411,331 |
| | 6,142,946 | 7,202,774 |

(C) Customer development expense

Customer development expenses are business development fees, access fees or rebates paid to parties with whom Touchcorp seeks to co-operate to increase the number of transactions carried. This expenditure is expected to increase gross revenue through the winning of new business.

NOTE 5: INCOME TAX

| 2014 | 2013 |
|------|------|
| \$ | \$ |

(a) Income tax expense

The major components of income tax expense are:

Current Income tax

| | | |
|---------------------------|-----------|-----------|
| Current income tax charge | 2,211,431 | 1,658,254 |
|---------------------------|-----------|-----------|

Deferred income tax

| | | |
|---|---------|-----------|
| Relating to origination / reversal of temporary differences | 800,428 | (575,352) |
|---|---------|-----------|

| | | |
|--|-------------|-------------|
| Reversal / recognition of deferred tax asset in relation to tax losses | (9,853,865) | (1,082,902) |
|--|-------------|-------------|

Income tax expense as reported in the income statement

| | |
|--------------------|----------|
| (6,842,006) | - |
|--------------------|----------|

(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:

| 2014 | 2013 |
|------|------|
| \$ | \$ |

| | | |
|------------------------------|-----------|-----------|
| Accounting profit before tax | 6,700,956 | 4,061,350 |
|------------------------------|-----------|-----------|

| | | |
|--|-----------|-----------|
| At the Group's statutory rate of 30% (2013: 30%) | 2,010,287 | 1,218,405 |
|--|-----------|-----------|

| | | |
|-------------------------------------|-----------|---|
| Government grants exempted from tax | (459,982) | - |
|-------------------------------------|-----------|---|

| | | |
|---|---------|---------|
| Expenditure not allowed for income tax purposes | 351,510 | 439,849 |
|---|---------|---------|

| | | |
|-----------------------------|-----------|---|
| Capitalised R&D expenditure | 1,446,297 | - |
|-----------------------------|-----------|---|

| | | |
|--|-----------|-----------|
| Recognition of previously unrecognised temporary differences | (419,971) | (431,597) |
|--|-----------|-----------|

| | | |
|---|-------------|-------------|
| Utilisation of tax losses not previously recognised | (2,211,431) | (1,226,657) |
|---|-------------|-------------|

| | | |
|---|-------------|---|
| Recognition of previously unrecognised losses | (7,642,434) | - |
|---|-------------|---|

| | | |
|-------|--------|---|
| Other | 83,718 | - |
|-------|--------|---|

Income tax credit

| | |
|--------------------|----------|
| (6,842,006) | - |
|--------------------|----------|

NOTE 5: INCOME TAX (continued)*Balance sheet*

| 2014 | 2013 |
|------|------|
| \$ | \$ |

(c) Deferred income tax

Deferred income tax at 31 December relates to the following:

*CONSOLIDATED**Deferred tax liabilities*

| | | |
|--|--------------------|----------|
| Capitalisation of research & development expenditure | (1,446,297) | - |
| Prepayments | (2,793) | - |
| Deferred tax liabilities | <u>(1,449,091)</u> | <u>-</u> |

Deferred tax assets

| | | |
|---|------------------|----------------|
| Employee provisions | 301,990 | 184,488 |
| Recognition of previously unrecognised losses | 7,642,434 | - |
| Other | 346,673 | 96,660 |
| Gross deferred tax assets / (liabilities) | <u>8,291,097</u> | <u>281,148</u> |
| Set-off of deferred tax liabilities | (1,449,091) | - |
| Non-recognition of deferred expense | - | (281,148) |
| Net deferred tax assets | <u>6,842,006</u> | <u>-</u> |

Deferred tax income tax asset / (expense)

Deferred tax assets are recognised unused tax losses, based on managements' foreseeable forecasts, to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has Australian tax losses of \$ 34,295,263 (2013: \$ 41,666,701) that are available for offsetting against future taxable profits, of which \$ 25,474,779 is recognised in the statements of financial position and comprehensive income as recognition of previously unrecognised losses, leaving a balance of \$ 8,820,484 unbooked, without expiry. The Group also has an unrecognised tax asset in relation to the AusIndustry R&D Tax Incentive of \$ 2,371,313 (2013: Nil).

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

Touchcorp's 100% Australian owned subsidiaries formed an income tax consolidated group with effect 3 September 2004. Touch Holdings Limited is the head entity of the tax consolidated group. Members of the tax consolidated 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

Touch Holdings Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated Group has applied the tax consolidated 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

| | 2014 \$ | 2013 \$ |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 2,585,881 | 5,433,872 |
| Short-term deposits | 67,721 | 65,085 |
| | 2,653,602 | 5,498,957 |

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 \$2,653,602 (2013: \$5,498,957).

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

| | | |
|--|------------------|------------------|
| Profit before tax | 6,700,956 | 4,061,350 |
| <i>Adjustments for:</i> | | |
| Depreciation | 798,574 | 533,813 |
| Amortisation | 19,666 | 19,666 |
| Share based payment expense | 42,276 | - |
| Interest received - investing activity cash flow | (67,367) | (42,312) |
| <i>Changes in assets and liabilities</i> | | |
| Increase in trade and other receivables | (2,629,548) | (423,070) |
| Increase in prepayments | (1,090,015) | (1,132,446) |
| (Decrease)/increase in trade and other payables | (570,504) | 4,703,317 |
| Net cash from operating activities | 3,204,038 | 7,720,318 |

| | 2014 | 2013 |
|--|------------------|------------------|
| | \$ | \$ |
| (a) Trade and other receivables (current) | | |
| Trade receivables | 9,737,972 | 7,064,304 |
| <i>Less allowance for doubtful debts</i> | | |
| Opening balance | (5,894) | (55,655) |
| Provided in the period | (44,120) | - |
| Debts written off | - | 43,251 |
| Written back in the period | - | 6,510 |
| Total allowance for doubtful debts | (50,014) | (5,894) |
| | 9,687,958 | 7,058,410 |

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** |
|------|-----------|-----------|----------------|------------|-----------------|------------------|-----------------|----------------|---------------|
| 2014 | 9,737,972 | 7,033,502 | - | 2,019,613 | 1,976 | 158,082 | 5,326 | 476,761 | 42,712 |
| | 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** |
| 2013 | 7,064,304 | 6,724,537 | - | 73,016 | 389 | 36,243 | 128 | 224,614 | 5,377 |

** Considered impaired ('CI')

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.

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 11.

| | 2014 | 2013 |
|---|------------------|------------------|
| | \$ | \$ |
| Funds on deposit (refer Note 13 (b)) | 1,235,417 | 1,200,000 |
| Prepaid electronic pins | 3,776,247 | 3,057,028 |
| Prepaid insurance premiums | 81,464 | 83,048 |
| Prepaid software licence & maintenance expenses | 337,738 | 231,648 |
| Security Bonds | 254,583 | 115,338 |
| Other prepaid expenses | 168,877 | 77,249 |
| | 5,854,326 | 4,764,311 |

Due to the short term nature of these assets, their carrying amounts are reasonable approximations of their fair value.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)*CONSOLIDATED**Plant and equipment*
\$**YEAR ENDED 31 DECEMBER 2014**

| | |
|----------------------------------|-----------|
| At 1 January 2014 | |
| net of accumulated depreciation | 1,198,223 |
| Additions | 1,267,618 |
| Depreciation charge for the year | (798,574) |

At 31 December 2014

| | |
|--|------------------|
| net of accumulated depreciation | 1,667,267 |
|--|------------------|

At 31 December 2014

| | |
|---------------------------|------------------|
| Cost | 4,463,564 |
| Accumulated depreciation | (2,796,297) |
| Net carrying value | 1,667,267 |

*CONSOLIDATED**Plant and equipment*
\$**YEAR ENDED 31 DECEMBER 2013**

| | |
|------------------------------------|-----------|
| At 1 January 2013 | |
| net of accumulated depreciation | 809,673 |
| Additions | 922,363 |
| Depreciation charge for the period | (533,813) |

31 December 2013

| | |
|--|------------------|
| net of accumulated depreciation | 1,198,223 |
|--|------------------|

31 December 2013

| | |
|---------------------------|------------------|
| Cost | 3,195,946 |
| Accumulated depreciation | (1,997,723) |
| Net carrying value | 1,198,223 |

NOTE 10: INTANGIBLE ASSETS (NON-CURRENT)*CONSOLIDATED*

| | <i>Core Technology</i> | <i>Patents</i> | <i>Total</i> |
|--|----------------------------|----------------|------------------|
| | \$ | \$ | \$ |
| YEAR ENDED 31 DECEMBER 2014 | | | |
| At 1 January 2014 | | | |
| net of accumulated amortisation | - | 195,146 | 195,146 |
| Additions | 4,849,142 | - | 4,849,142 |
| Amortisation for the year | - | (19,666) | (19,666) |
| At 31 December 2014 | | | |
| net of accumulated amortisation | 4,849,142 | 175,480 | 5,024,622 |
| At 31 December 2014 | | | |
| Cost | 24,908,934 | 378,070 | 25,287,004 |
| Accumulated amortisation | (20,059,792) | (202,590) | (20,262,382) |
| Net carrying amount | 4,849,142 | 175,480 | 5,024,622 |

CONSOLIDATED

| | <i>Core Technology</i> | <i>Patents</i> | <i>Total</i> |
|--|----------------------------|----------------|----------------|
| | \$ | \$ | \$ |
| YEAR ENDED 31 DECEMBER 2013 | | | |
| At 1 January 2013 | | | |
| net of accumulated amortisation | - | 214,812 | 214,812 |
| Amortisation for the period | - | (19,666) | (19,666) |
| At 31 December 2013 | | | |
| net of accumulated amortisation | - | 195,146 | 195,146 |
| At 31 December 2013 | | | |
| Cost | 20,059,792 | 378,070 | 20,437,862 |
| Accumulated amortisation | (20,059,792) | (182,924) | (20,242,716) |
| Net carrying amount | - | 195,146 | 195,146 |

NOTE 10: INTANGIBLE ASSETS (NON-CURRENT) (continued)

In FY 2014 the Group capitalised expenditure for work performed on delivery of systems with identifiable long-term revenue streams. In determining the amounts to be capitalised, management made assumptions regarding the expected future cash generation of the projects, the expected period of benefits and a determination of whether the expenditure will result in significant functionality.

The Group's intangible assets consist of patents and the underlying core technology of the business, being the electronic delivery platforms, which enables customers to process transactions electronically on retail devices such as ATMs, Kiosks, payment terminals, cash registers, 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 as well as payment systems. The core technology and the patents pending, for the unique transaction process have been internally generated and 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. The expected useful life and amortisation period of the finite intangible assets is considered reasonable.

NOTE 11: 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, and by depositing funds with a number of different banking institutions. 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.

NOTE 11: 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

| 2014 | 2013 |
|------|------|
| \$ | \$ |

Financial Assets

| | | |
|---------------------------|-----------|-----------|
| Cash and cash equivalents | 2,653,602 | 5,498,957 |
| | 2,653,602 | 5,498,957 |

The Group's policy to manage its interest rate exposure.

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

At 31 December 2014, 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 Profit Higher/(Lower) | | Equity Higher/(Lower) | |
|-----------------------------------|------|--------------------------|------|
| 2014 | 2013 | 2014 | 2013 |
| \$ | \$ | \$ | \$ |

Consolidated

| | | | | |
|-------------------------|-------|---------|-------|---------|
| -.25% (25 basis points) | (553) | (1,146) | (553) | (1,146) |
| +1% (100 basis points) | 2,211 | 4,582 | 2,211 | 4,582 |

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 remain constant during the 12 month period subsequent to balance date.
- > The net exposure at balance date being representative of what the group was and is expecting to be exposed to in the next twelve months from balance date.

NOTE 11: 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.

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

Approximately 10% of the Group's sales and expenses are denominated in currencies other than the functional currency of the entities, whilst approximately 90% of sales and expenses are in the relevant entities functional currency.

At 31 December 2014, the Group has the following exposure to foreign currency that is not designated in cash flow hedges:

| | 2014 \$ | 2013 \$ |
|------------------------------|----------------|---------------|
| Financial Assets | | |
| Cash and cash equivalents | 328 | 3,012 |
| Trade and other receivables | 355,465 | 43,135 |
| | 355,793 | 46,147 |
| Financial Liabilities | | |
| Trade and other payables | - | 45,098 |
| | - | 45,098 |
| Net exposure | 355,793 | 1,049 |

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

At 31 December 2014, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, the profit before tax and equity would have been affected as follows:

Judgements of reasonably possible movements:

| | Pre-Tax Profit (Higher)/Lower | | Equity (Higher)/Lower | |
|---------------------|----------------------------------|------------|--------------------------|------------|
| | 2014 \$ | 2013 \$ | 2014 \$ | 2013 \$ |
| Consolidated | | | | |
| AUD/EUR +10% | 13,494 | (3,780) | (13,494) | 3,780 |
| AUD/EUR -5% | (7,813) | 2,188 | 7,813 | (2,188) |
| AUD/CHF +10% | 18,821 | 3,602 | (18,821) | (3,602) |
| AUD/CHF -5% | (10,896) | (2,085) | 10,896 | 2,085 |

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 11: 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.

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:

| | 2014 \$ | 2013 \$ |
|----------------|-------------------|-------------------|
| 1 year or less | 12,643,016 | 17,734,440 |
| 1-2 years | - | - |
| 3-4 years | - | - |
| Over 4 years | - | - |
| | 12,643,016 | 17,734,440 |

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 2014 | < 1 year \$ | 1-2 years \$ | 2-3 years \$ | > 3 Years \$ | Total \$ |
|---|-------------------|--------------------|--------------------|--------------------|-------------------|
| Consolidated Financial assets | | | | | |
| Cash & cash equivalents | 2,653,602 | - | - | - | 2,653,602 |
| Trade & other receivables | 9,408,326 | - | - | - | 9,408,326 |
| | 12,061,928 | - | - | - | 12,061,928 |
| Consolidated Financial liabilities | | | | | |
| Trade & other payables | 12,643,016 | - | - | - | 12,643,016 |
| Interest bearing loans & borrowings | - | - | - | - | - |
| | 12,643,016 | - | - | - | 12,643,016 |
| Net maturity | (581,088) | - | - | - | (581,088) |

At 31st December 2014, the Group has \$ 3,776,247 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 considered to be financial assets of the Group.

NOTE 11: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**Risk Exposures and Responses (Continued)***Liquidity risk (continued)***YEAR ENDED 31 DECEMBER 2013**

| | < 1 year \$ | 1-2 years \$ | 2-3 years \$ | > 3 Years \$ | Total \$ |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Consolidated Financial assets | | | | | |
| Cash & cash equivalents | 5,498,958 | - | - | - | 5,498,958 |
| Trade & other receivables | 7,051,050 | - | - | - | 7,051,050 |
| | 12,550,008 | - | - | - | 12,550,008 |
| Consolidated Financial liabilities | | | | | |
| Trade & other payables | 17,734,440 | - | - | - | 17,734,440 |
| Interest bearing loans & borrowings | - | - | - | - | - |
| | 17,734,440 | - | - | - | 17,734,440 |
| Net maturity | (5,184,432) | - | - | - | (5,184,432) |

At 31st December 2014, the Group has \$ 3,776,247 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 considered to be financial assets of the Group.

NOTE 12: 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:

| | 2014 \$ | 2013 \$ |
|---|---------------|------------|
| Expenses arising from equity-settled share-based payment transactions | 42,276 | - |
| | 42,276 | - |

The share based payment plan is described below.

(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 executive directors, senior executives and staff. Under the ESOP, awards are made to employees who have an **impact on the Group's performance. ESOP awards are delivered in the form of options over shares which vest over a number of years** subject to meeting performance measures. The fair value of share options granted is estimated at the date of grant using a Binomial Model, taking into account the terms and conditions upon which the share options were granted.

The EIP has been established to incentivise executives to increase shareholder wealth. Under the EIP, eligible executives are provided with an interest bearing, limited recourse loan from the Group for the sole purpose of acquiring shares in the Company. Executives may not deal with the shares while the loan remains outstanding and any dividends paid on the shares are applied (on an after-tax basis) towards repaying the loan. Executives are entitled to exercise the voting rights attaching to their Touchcorp ordinary shares from the date of allocation of those shares. Shares allocated under this plan in conjunction with non-recourse loans are accounted for as options. As a result, the amounts receivable from employees in relation to these loans are not recognised in the financial statements. A share-based payments expense is recognised in the income statement over the vesting period based on the fair value of the options. Settlement of share loans upon vesting are recognised as contributed equity. If the executive leaves Touchcorp within the vesting period the shares allocated are returned to Touchcorp, subject to discretion retained by the Directors. The Company has used the fair value measurement provisions of AASB 2: Share-based Payment for all options or equity instruments granted to relevant senior executives.

Under AASB 2: Share-based Payment, these EIP shares and loans are treated as 'in substance options' even where the equity instrument itself is not a share option.

The fair value of such 'in substance option' grants is amortised and disclosed as part of senior manager compensation on a straight-line basis over the vesting period.

During the current periods the consolidated entity entered into a loan agreement with limited recourse in which Group employees, including Key Management Personnel ("KMP"), participated to varying extents. The plan has been approved by the directors at the time of their introduction. Grants were made from time to time as appropriate. The quantum of the plan grants are reflective of the seniority of the position of the relevant executive and their ability to contribute to the overall performance of the consolidated entity. The EIP for senior executives of the consolidated entity has no specific performance conditions for the removal of restrictions over the relevant shares other than successful achievement of maintaining the individual's employment with the consolidated entity until the vesting date.

On 11 February 2014, 1,563,500 ordinary shares were allotted under the EIP. The fair value of each 'in substance option' was estimated using the capitalisation of maintainable earnings as the primary methodology, resulting in a value of \$0.0575.

The grant has been amortised over the vesting and exercisable periods resulting in an increase in employee benefits expense of \$42,276 for the 2014 financial year.

NOTE 12: SHARE-BASED PAYMENT PLANS (continued)**(c) Summary of options granted under the ESOP and EIP**

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

| | <i>2014 No.</i> | <i>2014 WAEP</i> | <i>2013 No.</i> | <i>2013 WAEP</i> |
|---|---------------------|----------------------|---------------------|----------------------|
| Outstanding at the beginning of the year | 5,000,000 | 0.20 | 5,000,000 | 0.20 |
| Granted during the year | 1,563,500 | 0.06 | - | - |
| Exercised during the year | - | - | - | - |
| Expired during the year | - | - | - | - |
| Outstanding at the end of the year | 6,563,500 | 0.17 | 5,000,000 | 0.20 |
| Exercisable at the end of the year | 6,563,500 | 0.17 | 5,000,000 | 0.20 |

The outstanding balance as at 31 December 2014 is represented by:

- 5,000,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable until 2 June 2015.
- 1,563,500 ordinary shares issued with an exercise price of \$0.06 each, not exercisable until after 31 December 2015.

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 31 December 2014 is 0.8 years (2013: 0.4 years).

During the year Touchcorp issued 5,000,000 options exercisable at \$ 0.20 per share by 2 June 2015 in exchange for the cancellation of 5,000,000 options in Touch Holdings Limited exercisable at \$0.20 per share by 2 June 2014. The terms and conditions of the grant have not changed.

(e) Exercise price

The exercise price for options outstanding at the end of the year was \$0.20 and \$0.06 (2013: \$0.20).

(f) Weighted average fair value

The weighted average of share options granted in 2014 was \$0.06.

(g) Option pricing model: ESOP

The fair value of the equity-settled share options granted under the ESOP was calculated using the Binomial Model, whilst the grant under the EIP was based on a value as determined by an independent expert engaged by the Group using the Capitalisation of Maintainable Earnings methodology.

NOTE 13: TRADE AND OTHER PAYABLES (CURRENT)

| | 2014 | 2013 |
|----------------------------|-------------------|-------------------|
| | \$ | \$ |
| Trade creditors & accruals | 12,417,023 | 17,127,603 |
| Employee benefits | 1,084,068 | 443,282 |
| Unearned income | 3,768,544 | 565,869 |
| | 17,269,635 | 18,136,754 |

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. Where there is a final customer acceptance condition in the contract, revenue is recognised only upon customer acceptance. At 31st December 2014, the Group has \$1,625,000 of unearned income subject to final customer acceptance of the related project. Amounts are recorded as unearned income upon reaching contract milestones.

(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 (Sabatica) has provided guarantees in favour of the Touch Group amounting to \$200,000. Guinness Peat Group (Australia) (GPG) Pty Ltd provided a letter of guarantee for \$1,000,000 to secure the supply of prepaid pins from certain suppliers. The Group has \$1,000,000 on deposit with GPG and \$200,000 with Sabatica in support of guarantees that are held with certain suppliers.

(c) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk are set out in note 11.

NOTE 14: CONTRIBUTED EQUITY AND RESERVES

| | 2014 \$ | 2013 \$ |
|---|--|---------------------|
| <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 2012 | 93,000,067 | 37,212,869 |
| Share issue | - | - |
| At 31 December 2013 | 93,000,067 | 37,212,869 |
| Shares issued under the EIP | 1,563,500 | - |
| At 31 December 2014 | 94,563,567 | 37,212,869 |
| <i>(c) Reserves</i> | | |
| | <i>Employee equity benefits reserve \$</i> | <i>Total \$</i> |
| At 31 December 2012 | 247,000 | 247,000 |
| Share based payment expense | - | - |
| Lapsed share options | (18,000) | (18,000) |
| At 31 December 2013 | 229,000 | 229,000 |
| Share based payment expense | 42,276 | 42,276 |
| At 31 December 2014 | 271,276 | 271,276 |

The employee equity benefits reserve is used to record the fair value of equity options granted 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 15: 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 option, exercised annually (in April) to remain at its registered office up until 31 March 2017. The Company has also entered into leases for a data centre and associated communications costs, European office 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 are as follows:

| | 2014 \$ | 2013 \$ |
|---|------------|------------|
| Within one year | 541,295 | 535,116 |
| After one year but not more than five years | 38,560 | 178,798 |
| More than five years | - | - |
| Total minimum lease payments | 579,855 | 713,914 |

Operating lease commitments – Group as lessor

The Group has entered into a sub-lease of its leased head office premises to an independent third party. Either party may terminate the lease by providing notice of 90 days. The total contingent rents recognised as income during the year is \$104,943 (2013: \$58,875).

| | 2014 \$ | 2013 \$ |
|---|------------|------------|
| Within one year | 20,250 | 20,250 |
| After one year but not more than five years | - | - |
| More than five years | - | - |
| Total minimum lease payments | 20,250 | 20,250 |

NOTE 16: RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of Touchcorp Limited and its subsidiaries. These are listed in the following table.

| <i>Name</i> | <i>Country of incorporation</i> | <i>% Equity interest 2014</i> | <i>% Equity interest 2013</i> | <i>Investment (\$) 2014</i> | <i>Investment (\$) 2013</i> |
|----------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------|---------------------------------|
| Touch Holdings Ltd | Australia | 100% | 100% | - | - |
| Touch Networks Australia Pty Ltd | Australia | 100% | 100% | 9,000,000 | 9,000,000 |
| Touch Australia Pty Ltd | Australia | 100% | 100% | - | - |
| 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>2014 \$</i> | <i>2013 \$</i> |
|---|--------------------|--------------------|
| Investment in subsidiary at cost | 11,296,208 | 11,296,208 |
| Allocation of Group equity settled transactions | 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> |

Touchcorp Limited became the ultimate parent entity on the 10 January 2014. Touch Holdings Limited was the parent entity from 15 December 2012 to 9 January 2014.

Touch Networks Pty Ltd is a wholly owned subsidiary of Touch Networks Australia Pty Ltd. Touch Australia Pty Ltd and Touch Networks Australia Pty Ltd are wholly owned subsidiaries of Touch Holdings 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 December 2012)

| | | | | | |
|----------------------|-------------|---|---|-----------|---|
| Sabatica Pty Ltd (i) | <i>2014</i> | - | - | - | - |
| | <i>2013</i> | - | - | 1,200,000 | - |

Director related entities

| | | | | | |
|---------------------------------|-------------|---|---------|---|-------|
| Tamoda Pty Ltd | <i>2014</i> | - | 296,888 | - | - |
| | <i>2013</i> | - | 454,645 | - | - |
| GPG Services Pty Ltd | <i>2014</i> | - | - | - | - |
| | <i>2013</i> | - | 46,080 | - | - |
| Custodial Asset Finance Pty Ltd | <i>2014</i> | - | - | - | - |
| | <i>2013</i> | - | 25,000 | - | 6,250 |
| ICM Ltd | <i>2014</i> | - | 25,000 | - | 6,250 |
| | <i>2013</i> | - | - | - | - |

NOTE 16: 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. This loan along with interest was repaid in September 2013. \$1,200,000 was paid to Sabatica, which is held on deposit in support of guarantees that it holds with certain suppliers. The \$1,200,000 is not shown in the schedule on page 46 as Sabatica is no longer a related party.

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

The payments made to Custodial Asset Finance Pty Ltd and ICM Limited pertain to directors fees for the services for Duncan Saville a Non-executive director. 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 19.

NOTE 17: EVENTS AFTER THE BALANCE SHEET DATE

The directors are exploring strategic options in relation to the future capital structure, however these deliberations have not reached a point where any meaningful information can be provided to shareholders.

Except as noted above, the directors are not aware of any other matter or circumstance which has arisen since 31 December 2014 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 18: 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, grant assistance & planning

| <i>CONSOLIDATED</i> | |
|---------------------|----------------|
| <i>2014</i> | <i>2013</i> |
| <i>\$</i> | <i>\$</i> |
| | |
| 124,500 | 119,000 |
| 94,500 | 34,822 |
| 219,000 | 153,822 |

NOTE 19: KEY MANAGEMENT PERSONNEL**(a) Compensation of Key Management Personnel**

| | <i>CONSOLIDATED</i> | |
|------------------------------|---------------------|------------------|
| | <i>2014</i> | <i>2013</i> |
| | <i>\$</i> | <i>\$</i> |
| Short-term employee benefits | 2,397,834 | 1,901,503 |
| Post employment benefits | 89,004 | 76,406 |
| Other long-term benefits | 33,502 | 39,653 |
| Termination benefits | - | - |
| Share based payment | 26,092 | - |
| Total compensation | 2,546,432 | 2,017,562 |

Touchcorp 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, Touch Australia Pty Ltd and Touch Networks Pty Ltd.

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

Vested at 31 December 2014

| 31 Dec 2014 | <i>Balance at beg of period 1-Jan-14</i> | <i>Granted as remuneration</i> | <i>Options exercised</i> | <i>Net change other #</i> | <i>Balance at end of period 31-Dec-14</i> | <i>Total</i> | <i>Exercisable</i> | <i>Not Exercisable</i> |
|------------------|--|------------------------------------|------------------------------|-------------------------------|---|------------------|--------------------|----------------------------|
| Directors | | | | | | | | |
| Adrian Cleeve | 5,000,000 | - | - | - | 5,000,000 | 5,000,000 | 5,000,000 | - |
| Total | 5,000,000 | - | - | - | 5,000,000 | 5,000,000 | 5,000,000 | - |

Includes forfeitures

Vested at 31 December 2013

| 31 Dec 2013 | <i>Balance at beg of period 1-Jan-13</i> | <i>Granted as remuneration</i> | <i>Options exercised</i> | <i>Net change other #</i> | <i>Balance at end of period 31-Dec-13</i> | <i>Total</i> | <i>Exercisable</i> | <i>Not Exercisable</i> |
|------------------|--|------------------------------------|------------------------------|-------------------------------|---|------------------|--------------------|----------------------------|
| Directors | | | | | | | | |
| Adrian Cleeve | 5,000,000 | - | - | - | 5,000,000 | 5,000,000 | 5,000,000 | - |
| Total | 5,000,000 | - | - | - | 5,000,000 | 5,000,000 | 5,000,000 | - |

Includes forfeitures

NOTE 19: KEY MANAGEMENT PERSONNEL (CONTINUED)**(c) Shareholdings of key management personnel (consolidated)**

| 31 Dec 2014 | <i>Balance 1-Jan-14</i> | <i>Granted as remuneration</i> | <i>On exercise of options</i> | <i>Net change other</i> | <i>Balance 31-Dec-14</i> |
|--------------------------------------|-----------------------------|------------------------------------|-----------------------------------|-------------------------|------------------------------|
| Directors | | | | | |
| Michael Jefferies | 500,000 | - | - | 8,090,000 | 8,590,000 |
| Adrian Cleeve | 18,600,000 | - | - | 5,596,402 | 24,196,402 |
| Hatim Tyabji | 150,000 | - | - | - | 150,000 |
| Duncan Saville | 24,000,000 | - | - | 16,600,000 | 40,600,000 |
| Denis Calvert (Resigned 26 May 2014) | 100,000 | 240,000 | - | - | 340,000 |
| Executives | | | | | |
| Keith Cleeve | - | 200,000 | - | - | 200,000 |
| Jason Van | - | 240,000 | - | 39,143 | 279,143 |
| Goran Abramovic | - | 200,000 | - | - | 200,000 |
| Antonio Bianco | 2,000 | 85,000 | - | - | 87,000 |
| Total | 43,352,000 | 965,000 | - | 30,325,545 | 74,642,545 |

| 31 Dec 2013 | <i>Balance 1-Jan-13</i> | <i>Granted as remuneration</i> | <i>On exercise of options</i> | <i>Net change other</i> | <i>Balance 31-Dec-13</i> |
|-------------------|-----------------------------|------------------------------------|-----------------------------------|-------------------------|------------------------------|
| Directors | | | | | |
| Michael Jefferies | - | - | - | 500,000 | 500,000 |
| 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 | | | | | |
| Antonio Bianco | 2,000 | - | - | - | 2,000 |
| Total | 42,852,000 | - | - | 500,000 | 43,352,000 |

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

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

NOTE 20: EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent by the sum of the weighted average number of ordinary shares outstanding during the year and the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

| | <i>2014</i> \$ | <i>2013</i> \$ |
|---|-----------------------------|-----------------------------|
| Profit attributable to ordinary equity holders of the Parent for basic earnings | 13,542,962 | 4,061,350 |
| Weighted average number of ordinary shares for basic EPS* | <i>Number</i> 93,873,914 | <i>Number</i> 93,000,067 |
| Effect of dilution from: | | |
| Share options | 5,000,000 | 5,000,000 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 98,873,914 | 98,000,067 |

* The weighted average number of shares takes into account the weighted average effect of shares issued under the EIP during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Directors' Declaration

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

1. In the opinion of the directors:

(a) The financial statements and notes of Touchcorp Limited for the year ended 31 December 2014 are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of its financial position as at 31 December 2014 and of their performance.

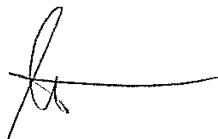
(ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*.

(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 2014.

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
30 January 2015

Independent auditor's report to the members of Touchcorp Limited

We have audited the accompanying financial report Touchcorp Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 company and 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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 have 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 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 judgement, 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 of the financial report that gives a true and fair view 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:

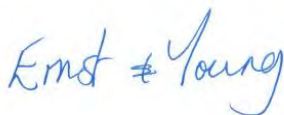
- a. the financial report of Touchcorp Limited is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian 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 the directors' report for the year ended 31 December 2014. 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 Touchcorp Limited for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



D.R. McGregor
Partner
Melbourne
30 January 2015

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