Intermoco Limited and controlled entities

Consolidated Financial report
For the year ended 30 June 2010

Highlights

- **Generated almost $6 million in revenue – up 50% on FY2009**
- **Operationally profitable in final quarter of FY2010**
- **Strengthened balance sheet and reduced operational overheads**
- **Established strategic partnerships with leading property developers**
- **Secured partnership agreements with Optus Wholesale and NEC**
- **Strengthened visibility in key target segments – brands consolidated under new Intermoco identity**
- **Continued building customer base for Utility metering division**
- **Strengthened Board and Senior management team**
- **Well placed for sustainable growth from FY2011 and beyond**

Intermoco Annual Report

Chairman's Address – Andrew Plympton

As the newly appointed non-executive Chairman of Intermoco, I am pleased to be joining the Company at such an exciting time in its development. Financial year 2010 has been a period of real progress and transformation for Intermoco. The Company has stabilised revenue, significantly reduced operational overheads, and delivered a solid foundation upon which to grow. Not only did the Company deliver solid gains in revenue and earnings, it continued to identify and secure growth opportunities that will significantly strengthen its market position in FY2011 and beyond.

During FY2010, Intermoco consolidated its operations following a successful turnaround in the Company's financial performance. The primary focus on developing the visibility of the Intermoco brand to increase the sales performance of the Embedded Network Service was a key driver behind the turnaround in the revenue and Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) performance.

The $6 million revenue performance was in line with company expectation, up 50 percent on FY2009 revenue of $3,955,456. The second half of FY2010 was stronger, with revenue increasing 62 percent half-on-half in FY2010. This was the strongest revenue result recorded in the Company's history.

The Company recorded a loss of $3,247,123, which was a significant decrease to the $6.8 million loss in FY2009 and which included material on off items such as the write down of non core assets. EBITDA in FY2010 was loss of $1,438,288, with $295,000 recorded in the second half. This is in part attributable to the restructuring activities undertaken in the first half of FY2010.

During FY2010, Intermoco has emerged as a leading utilities management company, and a stronger and more cohesive organisation with a rapidly growing customer base. Intermoco has not only retained but strengthened its position as Australia’s largest provider of Embedded Network Solutions.

This growth was supported by the strategic partnerships Intermoco established during the year, including an agreement with Optus Wholesale to provide wholesale internet and data products and services, and the ongoing relationship with Intermoco’s technology partner, NEC. The addition of a major technology partner and the inclusion of voice and data products to the end-to-end utilities provisioning and management platform provided increased scope to grow.

During the first half of FY2010, the Company consolidated its brands, bringing both its metering and utilities management products under the Intermoco identity. This has led to greater visibility amongst potential customers, it has contributed to the revenue increase and level of new contracts secured in FY2010, and it has increased the size of the Company’s pipeline of tendering opportunities.

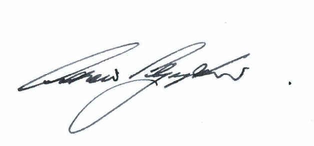
Intermoco has significantly strengthened its board and senior management team, appointing Andrew Meehan as Director, and Ian Kiddle as Chief Executive Officer to drive the Company’s corporate and operational performance. I would also like to thank Mr. Bob Gestro, the previous Chairman, for his contribution and commitment to Intermoco during the final stages of the Company’s turnaround phase.

At present, the utilities industry has to ensure it meets the rising demand for essential services such as energy, water, internet and data and telecommunications. To achieve this, a large influx of investment is necessary to stimulate the development of critical infrastructure to meet increasing demand. Intermoco is well positioned to capitalise on this current and planned investment in the broader utilities sector.

While Intermoco has achieved a very encouraging performance during the year, the Company is still in the early days of achieving its growth potential. The Intermoco Board expects the current rate of revenue growth to increase in FY2011, supported by the increasing volume and size of the Embedded Network Services and Smart Metering contracts currently under consideration. The nature of long-term contracts secured during FY2010, and the Company's pipeline, has resulted in a steadily growing recurring revenue base, providing strong earnings visibility into 2011.

I would like to thank our shareholders for their ongoing commitment to the Company during this turnaround phase. I would also like to acknowledge the efforts of my fellow Board members and particularly Ian and Andrew as the management team in achieving this solid result in FY2010. Intermoco's Board is encouraged by the Company's growth potential, and will continue to focus on delivering greater returns for our shareholders.

Yours Sincerely,



Andrew Plympton

Non-Executive Chairman

CEO and Management Review

Ian Kiddle – Chief Executive Officer

2010 was a turnaround year for Intermoco. We have advanced the Company's position as the largest provider of Embedded Network Solutions in Australia and a leading provider of metering products and services. Our strategy is to continue growing in these markets, and this is the key focus of the senior management team going forward.

The Board and senior management team's strategy to deliver positive operating cash flow and profitability has been achieved through the development of organic growth channels that are now underpinning future revenue and earnings. This was reflected by the revenue increase and level of contracts secured during FY2010, and the increasing size and length of contracts currently being pursued.

The condition of global markets during FY2010 presented a continuing challenge for the majority of Australian companies, and against this backdrop, increasing volume of customers and steadily strengthening recurring revenue base is even more impressive. The certainty of larger long term contracts has provided the Company with stable footing from which to pursue growth opportunities in FY2011 and beyond.

As Business Development director for Intermoco before being appointed to the position of Chief Executive Officer, I have witnessed first-hand the Company's turnaround this year. This turnaround began in 2009, when the management team implemented a strategic review of the Company's operations. Subsequently, there was a concerted effort from Intermoco to strengthen the Board and senior management team, reduce operational overheads, and distil our product and service lines into two distinct divisions: Embedded Network Solutions and smart metering.

In the first 10 days of trading in FY2010 Intermoco received in excess of $1 million of new contracts, which created the momentum towards profitability throughout the year, and marked a turnaround in sales volumes.

In order to leverage the strength of the Intermoco brand, and raise the Company's visibility in key target segments, the Company consolidated its Utiligy division under the name of Intermoco. With business development and sales and marketing activity central to the Company's growth strategy in FY2010, the creation of one distinct brand is now starting to deliver solid sales growth.

The senior management team worked on developing a fully integrated utilities management solution for property developers and construction companies, and we have now witnessed a steady increase in demand.

Both Intermoco's Embedded Network Services and smart metering platforms have performed exceptionally well, with Intermoco securing an increasing number of contracts, and contract extensions over the past year.

Embedded Networks Services – driving earnings growth

Intermoco's Embedded Network Solution has continued to gain traction in the market place over the past year. The product development team have focussed on delivering an end-to-end solution for the provision of all essential utilities including energy, water, internet and data and telecommunications to tenants of new residential and commercial properties.

To achieve this, Intermoco has developed key strategic partnerships with blue chip companies such as Optus and NEC, enabling the delivery of market leading products and services to its growing customer base.

As detailed in the 2009 annual report to shareholders, Intermoco has partnered with leading global technology company, NEC, to provide the necessary IT infrastructure for the supply and installation of the Embedded Network Service. This provided Intermoco with access to NEC's customer base, and expanded its presence by leveraging NEC's national and international presence.

In November 2009, Intermoco signed a partnership agreement with Optus Wholesale to white label voice and data products and services. This led to the Company securing its first Embedded Network Services contract including the provision of voice and data shortly thereafter.

The partnership with Optus Wholesale provided an opportunity to capitalise on the increased infrastructure investment necessary to deliver Fibre to the Premises ("FTTP") to Australian residents. While this has been a protracted process, Intermoco is well placed to add value for property developers and construction groups looking to claw back some of the costs associated with the infrastructure upgrade.

The management team has been instrumental in securing an increasing number of Embedded Network Services contracts during FY2010, and has witnessed steadily increasing demand. The projects were sourced from the residential and commercial property sectors, with a $4 million, 5-year contract with a major Aged Care Residence in Melbourne a highlight.

Strategic Partnerships support increasing revenue and project pipeline

During the year, Intermoco has secured a range of increasingly larger contracts for its Embedded Network Services division. Intermoco targeted the property development sector, resulting in the establishment of multiple strategic partnerships with leading national property development companies. These partnerships provide access to future property developments presenting significant expected project flow as the relationships mature.

Intermoco’s maiden Embedded Network Services contract announced in August 2009 was with Melbourne based property developer, Tindal Developments, for the installation and supply of energy, water, voice and data to a residential property housing 75 tenants. The $1.2 million, 5-year contract was the first to be secured, and in May 2010, this contract was extended to a new term of 15 years.

The contract extension awarded less than a year into the initial agreement was a coup for Intermoco, and demonstrated the added value we provide our customers and the traction our end-to-end offering is gaining in the market. With long terms contracts of up to 15 years, The Company is now starting to build certainty and longevity around future earnings.

The following Embedded Network Service related agreement was a Letter of Intent signed with Hickory Developments in September 2009 to partner on the provision of products and services for a Melbourne based development with approximately 200 apartments. The $3 million, 5-year contract marked the commencement of the partnership with Hickory, which develops up to ten sites per annum providing significant future project opportunities for Intermoco.

Intermoco secured a significant utilities management contract with property developer, Hamton Developments. The 15-year contract is the first in an expected roll-out across Hamton's projects, with the developer managing in excess of $800 million of development projects in Melbourne. Intermoco will book $3 million in revenue in the first 5 years and has already recouped the initial capital expenditure associated with the installation.

On 11 May, 2010 The Company announced it had entered into a partnership with commercial building and construction group, Buildcorp Commercial. The first contract of an expected roll-out of the Embedded Network Service across Buildcorp’s project portfolio was valued at $2.7 million over the 5-year contract term. This contract was signed in conjunction with Accord Property Group the contracted developer for the project.

Buildcorp Commercial is currently developing in excess of 17 sites in the greater Melbourne area, and has a large number of projects under consideration. The growth of this relationship has the potential to provide significant revenue to the Company, and the management team remains focussed on cultivating this relationship and delivering the best quality management services to ensure the ongoing growth of the partnership.

Intermoco is currently negotiating with a range of additional property development companies and construction groups to grow our network of strategic partners. Collectively, the partnerships the Company has developed in FY2010 provides potential access to between 50 to 100 project sites, and the team is focused on ensuring excellence in service to retain Intermoco's preferred supplier status.

Metering Services

Intermoco's core metering services and utilities management platform continued to perform well. A key driver behind the strong financial and operational performance in FY2010, was the overall increase in market share in the utilities management sector Intermoco has attained.

This was reflected by the 2-year contract renewal with the University of Wollongong ("UOW") for the provision of metering services, including billing, energy management and meter maintenance for the 225 electricity, water and gas meters previously installed by Intermoco. The contract renewal secured in December 2009 extended the long-standing relationship with UOW, and the positive feedback received was an endorsement of Intermoco's market leading offering.

The Company continued to pick up additional meter reading projects, securing a contract to supply water metering and management solutions to 2 regional councils in New South Wales and Queensland in March, 2010. These contracts included the use of the innovative AMR walk-by technology to read manual and electronic water meters.

In FY2010, Intermoco continued to develop its relationships with Australia's leading utilities providers. This resulted in the Company being awarded a 3-year licensing for continued use of Intermoco's meter reading system in May 2010. This agreement provided an extension of the revenues received under the initial contract, and strengthened the relationship between Intermoco and Sydney Water since it was established in 1997.

Outlook

The 2010 financial year has seen the Company grow significantly following a successful period of restructuring. The opportunities for continued growth into FY2011 are encouraging with the Company's project pipeline growing at record rates. The aim of the senior management team is to not only maintain current growth levels, but to accelerate business development activity and expand the Intermoco footprint in the market.

In the coming year, we expect to significantly increase revenue, and maintain margins. While there is some uncertainty around market conditions, the long term nature of the contracts Intermoco has secured during FY2010 provide solid earnings visibility and stability.

The Company achieved a positive operating profit result in the last quarter of FY2010, which is a precursor to the expected increase in profit during FY2011. This an exciting phase in the Company's development, and I would like to thank the management team and Intermoco staff for their efforts. I would also like to thank our shareholders for their commitment over the previous 18 months with a successful turnaround in the Company's performance set to deliver far greater returns in the coming years.

Yours Sincerely

Ian Kiddle

Chief Executive Officer

INTERMOCO LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity, consisting of Intermoco Limited and its controlled entities, for the year ended 30 June 2010.

Directors names

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

Mr. Ian Kiddle Appointed 24 April 2009

Mr. Simon Kemp Appointed 01 May 2008

Mr. Andrew Plympton Appointed 01 March 2010

Mr. Andrew Meehan Appointed 01 November 2009

Mr. Robert Gestro Appointed 14 January 2009, Resigned 01 March 2010

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

Results

The loss of the consolidated entity for the year after providing for income tax amounted to $3,247,123 (2009: $6,803,885).

Review of operations

The consolidated entity continued to engage in its principal activity. Further discussion regarding the operations can be found in the attached CEO and management review.

Significant changes in state of affairs

There were no significant changes in the consolidated entity's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

Principal activities

The principal activity of the consolidated entity during the year was commercialisation of monitoring and control products and solutions, with particular emphasis on gas and water metering.

No significant change in the nature of these activities occurred during the year.

After balance date events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Likely developments

The likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years are as follows:

Future developments of the Consolidated Entity are outlined in the attached CEO and management review. Further information on likely developments in the operations of the Consolidated Entity and the expected results from those operations have not been included in this report as it is the opinion of the Directors that their disclosure could be prejudicial to the interests of the Consolidated Entity.

Environmental regulation

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Information on directors

Mr. Andrew Plymton	Chairman
Experience	Andrew has had an extensive career in the Financial Services Sector, Sport Administration and more recently in the capacity as a director and Chairman of both ASX and unlisted companies. Over the last twenty years he has been CEO/Chairman of two Global Insurance Broking Firms Asia Pacific operations. In addition Andrew served as Chairman of a Specialist Aviation Underwriting Company and Chairman of a high profile Captive Insurance operation. In the Public Company sector Andrew is the appointed Chairman of Beyond Sportswear International Ltd, The Swish Group limited and is a Director of Newsat Limited. He is Chairman of MDHDG a private company involved with 5 Star hotel/marina developments and Chairman of New Zealand Company Energy Mad Limited. In sport Andrew has a high profile, elected as an Executive Member of The Australian Olympic Committee and appointed director of The Australian Olympic Foundation Limited. He is also the longest serving President of Yachting Australia Inc and held for eight years the Chairmanship of AFL club St Kilda Football Club Limited. Andrew has been successful in sport winning one World Championship in sailing. He holds numerous sporting achievement awards and life membership from two sporting organizations.
Interest in shares and options	Nil

Mr. Ian Kiddle	Executive Director Chief Executive Officer
Experience	Ian Kiddle has 25 years experience at a senior management or managing director level. Ian has a strong commerce background and was previously a director of the Australian Division of Inchcape Telecommunications and was directly responsible for a sales force of approximately 100 sales staff. Since then, Ian was the managing director of Active Utilities which managed a number of major embedded networks.
Interest in shares and options	10,000,000 (2009: nil) ordinary shares
Mr. Simon Kemp	Non-Executive Director
Experience	Simon Kemp has many years experience in the electrical, communications and other industries. He has had senior management experience with what is now known as Downer Engineering and has served on the board of the National Electrical and Communications Association as a Federal and State Councillor and State President for three years. Simon was also instrumental in setting up one of the first group apprenticeship training schemes which went on to employ over four hundred apprentices. He has also set up several private companies of various disciplines all of which are trusted to provide service and continue to trade successfully. His skills are well suited to high tech companies such as Intermoco.
Interest in shares and options	4,570,000 (2009: 3,224,038) ordinary shares
Committee Membership	Audit Committee Chairman
Mr. Andrew Meehan	Executive Director
Experience	Andrew has had an extensive career in the Utility Industry with particular emphasis in the Water Sector. Over the last twenty years he has been CEO or Director for a number of private companies involved in the Utility Industry including his role as co-founder and Managing Director of AMRS. Andrew's experience includes the management of Field Services as well as product and software development. Andrew also founded Utility Data Solutions and in his role as CEO managed the sale and transition to Intermoco in July 2007 and served as Chairman of an advisory committee to Melbourne Water from 2007 to 2010. Andrew holds a Bachelor of Applied Science and MBA.
Interest in shares and options	14,500,000 (2009: 3,552,500) ordinary shares
Mr. Robert Gestro	Chairman Chief Executive Officer
Qualifications	

Experience	Bob Gestro is an experienced General Manager/CEO and has been involved in metering for approximately 35 years. Bob has held positions with AGL, Email Metering and Schlumberger, then the world's largest metering manufacturer where he held the position of General Manager for some 10 years. He has a mechanical engineering background which he supplemented with studies in Accounting and Marketing.
Interest in shares and options	(2009: 114,065,880 ordinary shares)

Meetings of directors

Directors	Directors' meetings		Audit committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr. Andrew Plympton	4	4	-	-
Mr. Ian Kiddle	13	13	1	1
Mr. Simon Kemp	13	12	1	1
Mr. Andrew Meehan	7	7	-	-
Mr. Robert Gestro	9	8	-	-

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and adhere to good corporate governance practices. The Consolidated Entity's corporate governance statement is contained in the following section of the Annual Report, 'Corporate Governance Statement'.

REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the Directors and Executive remuneration arrangements of the Consolidated Entity as required by the Corporations Act 2001 and its Regulations.

This report details the nature and amount of remuneration of each Director of Intermoco Limited and all other Key Management Personnel of the Consolidated Entity.

For the purposes of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, including any Director (whether Executive or otherwise) of the Consolidated Entity.

For the purposes of this report, the term 'Executive' encompasses the Chief Executive, Senior Executives, general managers and secretaries of the Consolidated Entity.

The Directors of Intermoco Limited during 2010 and 2009 years were:

Mr. Ian Kiddle	Chief Executive Officer	appointed	24 April 2009
Mr. Robert Gestro	Chief Executive Officer & Chairman	appointed resigned	14 January 2009 1 March 2010
Mr. Simon Kemp	Non-Executive Director	appointed	1 May 2008
Mr. Desmond (Wes) Ferguson	Non-Executive Chairman	resigned	24 April 2009
Mr. Jeffrey W.	Chief Executive Officer	resigned	9 February 2009
Mr. Andrew Plympton	Non-Executive Director & Chairman	appointed	1 March 2010
Mr. Andrew Meehan	Executive Director	appointed	1 November 2009

The other Key Management Personnel of the Consolidated Entity during the 2010 and 2009 years were:

Mr. Ken Benson	Sales Manager Powersave Pty Ltd	resigned	30 March 2009
Mr. Oliver Carton	Company Secretary Intermoco	appointed	1 May 2008
Mr. Peter Taylor	General Manager Intermoco Solutions Pty Ltd	resigned	31 August 2008
Mr. Geoff Bentley	Sales General Manager Intermoco Solutions Pty Ltd	appointed	1 April 2010

Section A: Principles used to Determine the Nature and Amount of Remuneration (Audited)

Remuneration Policy

The remuneration policy of Intermoco Limited has been designed to align Director and Executive objectives with Shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The Board of Intermoco Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives and Directors to run and manage the Consolidated Entity and create goal congruence between Directors, Executives and Shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior Executives of the Consolidated Entity is as follows:
* The remuneration policy, setting the terms and conditions for the Executive Directors and other senior Executives, was developed by the Remuneration Committee and approved by the Board.
* All Executives receive remuneration which may include any of: base salary; superannuation; fringe benefits; options and performance incentives.
* The Board, having assumed the responsibilities of the Remuneration Committee reviews Executive packages annually by reference to the Consolidated Entity's performance, Executive performance and comparable information from industry sectors.

The performance of Executives is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Consolidated Entity's profits and Shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in Shareholder wealth.

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

All remuneration paid to Executive Directors and Executives includes a superannuation guarantee contribution required by the government, which is currently 9%. They do not receive any other retirement benefits.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Shares given to Directors and Executives are valued as the difference between the market price of those shares and the amount paid by the Director or Executive. Options are valued using the binomial pricing model.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board in the role as Remuneration Committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by Shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Consolidated Entity. However, to align Directors interests with Shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in the Directors' and Executive's option plan.

Performance Based Remuneration

As part of each Executive Director and Executives remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between Directors/Executives with that of the business and Shareholders. The KPIs are set annually, with a certain level of consultation with Directors/Executives to ensure buy-in. The measures are specifically tailored to the areas each Director/Executive is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short-and long-term goals. The level set for each KPI is based on budget figures for the Consolidated Entity and respective industry standards. In determining whether or not a KPI has been achieved, Intermoco Limited bases the assessment on audited figures.

The consolidated entities performance in terms of earnings has historically been negative whilst the consolidated entity has been in a research and development phase. Shareholder wealth reflects the speculative and volatile market sector.

Section B: Details of Remuneration

Details of Remuneration for Year Ended 30 June 2010

The remuneration for each Director and other Key Management Personnel of the Consolidated Entity was as follows:

	Short-term employee benefits			Employment Benefits	Share-based Payments		Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation Contributions	Shares	Options	
	$	$	$	$	$	$	$
Directors:							
Mr. Robert Gestro	277,385	-	-	-	-	-	277,385
Mr. Ian Kiddle	240,000	60,000	-	21,600	170,000	-	491,600
Mr. Simon Kemp	44,300	-	-	-	-	-	44,300
Mr. Andrew Plympton	12,991	-	-	-	-	-	12,991
Mr. Andrew Meehan	180,000	40,000	-	16,200	170,000	-	406,200
Executives:							
Mr. Oliver Carton	56,000	-	-	-	-	-	56,000
Mr. Geoff Bentley	41,923	-	-	3,323	-	-	45,246
	852,599	100,000	-	41,123	340,000	-	1,333,722

Details of Remuneration for Year Ended 30 June 2009

The remuneration for each Director and each other Key Management Personnel of the Consolidated Entity was as follows:

	Short-term employee benefits			Employment Benefits	Share-based Payments		Total
	Cash salary and fees	Cash bonus	Non-monetary benefits	Superannuation Contributions	Shares	Options	
	$	$	$	$	$	$	$
Directors:							
Mr. Robert Gestro	176,668	-	-	-	-	-	176,668
Mr. Jeffrey Robertson	189,332	-	-	-	9,000	-	198,332
Mr. Simon Kemp	43,839	-	-	-	9,000	-	52,839
Mr. Desmond (Wes) Ferguson	24,083	-	-	-	9,000	-	33,083
Mr. Ian Kiddle	73,750	-	-	-	-	-	73,750
Executives:							
Mr. Oliver Carton	48,000	-	-	-	6,000	-	54,000
Mr. Andrew Meehan	146,483	-	-	11,043	-	-	157,526
Mr. Ken Benson	103,962	-	-	5,982	-	-	109,944
Mr. Peter Taylor	20,100	-	-	1,809	-	2,188	24,097
	826,217	-	-	18,834	33,000	2,188	880,239

The following performance based remuneration was issued:

	2010	2009
Mr. Ian Kiddle	-	-
Mr. Andrew Meehan	-	-
Mr. Jeffrey Robertson	-	1,500,000 ordinary shares
Mr. Simon Kemp	-	1,500,000 ordinary shares
Mr. Desmond (Wes) Ferguson	-	1,500,000 ordinary shares
Mr. Oliver Carton	-	1,500,000 ordinary shares
Mr. Peter Taylor	-	1,500,000 ordinary shares

For the financial year, no new options were granted. Nil (2009: $2,188) was recognised in compensation over the vesting period of existing options.

Section C: Share-based Compensation

The Remuneration of Directors and Executives may include options over ordinary shares as issued by Intermoco Limited. These options are not issued based on performance criteria, but are issued to Directors and Executives of Intermoco Limited and its subsidiaries to increase goal congruence between Executives, Directors and Shareholders.

No options were issued as compensation in the financial years ended 30 June 2010 and 30 June 2009.

Section D: Employment Contracts of Key Management Personnel

The Consolidated Entity has agreements with Mr. Ian Kiddle and Mr. Andrew Meehan. The services of these key management personnel can be terminated by either party with 3 months notice.

End of Remuneration Report

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OTHER OFFICERS

During the financial year the Company entered into an insurance policy to indemnify Directors and Officers against certain liabilities incurred as a Director or Officer, including costs and expenses associated in successfully defending legal proceedings. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of the Company or any related body corporate against a liability incurred as such an Officer or Auditor.

SHARE OPTIONS ON ISSUE

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

Number under option	Exercise Price (cents)	Fair value at grant date (cents)	Date of Expiry	Nature
38,181,818	6.5	6.5	1 January 2011	Option granted to convertible note holder

Option holders do not have any right, by virtue of the options, to participate in any share issue of the Consolidated

All options were granted for Nil consideration.

There is no vesting condition for options issued to convertible note holder.

SHARES ISSUED AS A RESULT OF THE EXERCISE OF OPTIONS

During the year ended 30 June 2010, no ordinary shares of Intermoco Limited were issued as a result of the exercise of options. Since 30 June 2010 no options have been exercised.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

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

The Consolidated Entity was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The following non-audit services were provided by the Consolidated Entity's auditor, PKF. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporation Act 2001.

The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

PKF received or are due to receive the following amounts for the provision of non-audit services:

	2010	**2009**
	$	**$**
Taxation services	11,300	48,320

AUDITORS' INDEPENDENCE DECLARATION

The lead auditors Independence Declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2010 has been received and can be found in the section titled 'Auditors Independence Declaration' within the Annual Report.

This report is signed in accordance with a resolution of the Board of Directors.

Ian Kiddle Chief Executive Officer
Dated this 30th day of September 2010

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Intermoco Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Intermoco Limited and the entities it controlled during the year.

R A Dean
Partner
PKF

30 September 2010
Melbourne

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INTERMOCO LIMITED
ABN: 15 006 908 701
CORPORATE GOVERNANCE REPORT

a) Introduction

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

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

b) The Board Lays Solid Foundations for Management and Oversight

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

- Setting overall financial and business goals for the Company
- Approving annual financial plans and budgets
- Monitoring business performance and results
- Approving management recommendations on strategic issues including major capital expenditure, acquisitions, restructuring and funding
- Ensuring systems are in place which facilitate the effective monitoring and management of principal risks to which the Company is exposed
- Adopting a strategic plan to achieve the Company's goals
- Ensuring processes are in place for the effective communication with shareholders and other stakeholders, and
- Reporting to shareholders on the Company's performance

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

The Board Charter delegates the day to day operations of the Company to the CEO.

c) Board Structure

The names and details of Directors in office at the date of this Annual Report are included in the Directors' Report Section of this Annual Report.

.The composition of the Board is guided by the following principles:

- The Board should be comprised of a minimum of three and a maximum of ten Directors - there are currently four Directors;
- The Board should have a broad range of expertise
- The Chairman shall be independent – During part of the 2010 financial year, the position of Chairman was held by a non-independent director. From 1 March 2010 onwards, the Chairman was an Independent Director;
- A person cannot hold the responsibilities of Chairman and Chief Executive Officer - the current Chief Executive Officer is not the Chairman;
- A majority of the Board will be comprised of independent Directors. Directors of Intermoco are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The following Directors are considered to be Independent: Mr. Andrew Plympton and Mr. Simon Kemp. Messrs Kiddle and Meehan are not considered to be independent as they are part of the Senior Management of the Company. A majority of the directors are therefore not

independent, however the current structure gives any casting vote to an independent director and at this time the Board considers the current structure best serves the operations of the Company.

d) Nomination Committee

Given the size of the Board and recent Board restructuring, the Board has not formed a Nomination Committee. The Board as a whole carries out the functions of that Committee.

e) The Board Promotes Ethical and Responsible Decision-Making

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

Directors are able to take independent professional advice at the expense of the Company.

f) The Board Safeguards the Integrity of Financial Reporting

The Chief Executive Officer has provided the Board with an unqualified statement regarding the integrity of the financial statements. The sign off is based on the existence of close process which ensures that the resultant financial statements comply with accounting standards and provide a true and fair view of the Company's financial performance and position.

The Board establishes an Audit, Risk and Compliance Committee when its composition and size enable it to do so. The Committee's responsibilities include reviewing the auditor's independence and management's response to the auditor's findings and recommendations. The overall responsibilities of the Committee are set out under a Charter and are to assist the Board in meeting its responsibility to exercise due care, diligence and skill in relation to:

- Financial Reporting
- Application of accounting policies
- Financial Management
- Internal Control
- External audit

In discharging its role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and the authority to engage independent advice as it determines necessary.

The Audit Committee consists of Mr Simon Kemp (Chairman) and Mr Ian Kiddle.

The functions of the Audit Committee set out in its Charter include:

- Monitoring corporate risk assessment and processes, and
- Monitoring the establishment of an appropriate internal control framework.

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

h) The Board Respects the Rights of Shareholders
Intermoco has in place a Shareholder Communication Policy, which promotes effective communication with shareholders. A copy of the Policy is available on the Corporate Governance section of the Company website.

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

During the period, the Company operated a risk management and internal control framework that can be described as follows:

- Financial reporting - actual results are regularly reported against budget and revised forecasts for the year are prepared regularly:
- The Company reports to shareholders half-yearly. Procedures are also in place to ensure that price sensitive information is reported to the ASX in accordance with the Continuous Disclosure requirements of the ASX Listing Rules and the Corporation Act 2001;
- The Chief Executive Officer has signed a statement to the Board for the full and half year financial reports confirming
    - The Company's financial reports present a true and fair view, in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
    - The Statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board;
    - The statement given above is founded on a sound system of risk management and an internal compliance and control system is operating efficiently in all material respects.

j) Quality and integrity of personnel
Formal appraisals are conducted at least annually for management and staff;

The Company has adopted a Code of Conduct for all employees;

The Company has written policies and procedures concerning issues such as health and safety in the workplace, harassment and equal opportunity.

k) Investment appraisal
The Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

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

m) The Board Remunerates Fairly and Responsibly

The Board has not established a Remuneration Committee given the size of the Company's operations. The Board as a whole undertakes this role and has delegated remuneration of employees to the CEO.

The remuneration policy and procedures are further set out in the Remuneration Report section of the Directors' Report.

There are no schemes for retirement benefits for non executive directors.

n) Recognition of the Legitimate Interests of Stakeholders

The Board has formal code of Conduct and Ethics which is available on the Corporate Governance website.

The Board aims to ensure that shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders as follows:

- The annual report contains a review of the operations of the consolidated entity during the period. The audited financial report is prepared in accordance with the requirements of Australian Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange. The full financial report is available to all shareholders on request;
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;
- Notice of all meetings of shareholders is given to all shareholders, with appropriate explanatory material;
- The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions. The Company's auditor attends the Annual General meeting to answer questions that shareholders may have, and appropriate time is allowed at the meeting for such questions.

INTERMOCO LIMITED AND CONTROLLED ENTITIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Revenue			
Sales revenue	3	5,776,599	3,337,888
Other income		166,066	617,568
	3	5,942,665	3,955,456
Less: expenses			
Cost of goods sold		(2,399,436)	(1,966,923)
Employee benefits expense		(1,897,525)	(2,198,687)
Contractors and consultants		(1,108,635)	(345,862)
Depreciation and amortisation expense		(97,603)	(42,119)
Marketing expense		(84,085)	(86,670)
Impairment of financial assets	16	(1,442,000)	(2,224,444)
Finance costs		(269,232)	(274,800)
Legal fees		(132,286)	(47,015)
Share registry fees and expenses		(43,432)	(78,106)
Accommodation expenses		(493,856)	(398,828)
Professional fees		(71,430)	(1,258,717)
Impairment of goodwill	19(a)	-	(2,309,244)
Bad debts written off		(131,662)	(113,561)
IT expenses		(119,470)	-
Other expenses		(899,136)	(553,512)
		(9,189,788)	(11,898,488)
Loss before income tax expense		(3,247,123)	(7,943,032)
Income tax expense	5	-	-
Loss from continuing operations		(3,247,123)	(7,943,032)
Net profit from discontinued operations	6(a)	-	1,136,959
Loss for the year		(3,247,123)	(6,806,073)
Other comprehensive income for the year		-	-
Total comprehensive income		(3,247,123)	(6,806,073)
Loss is attributable to:			
- Owners of Intermoco Limited		(3,247,123)	(6,806,073)
		(3,247,123)	(6,806,073)
Total comprehensive income is attributable to:			
- Owners of Intermoco Limited		(3,247,123)	(6,806,073)
		(3,247,123)	(6,806,073)

INTERMOCO LIMITED AND CONTROLLED ENTITIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Earnings per share from continuing operations attributable to equity holders of the parent entity:			
Basic (loss) per share (cents per share)	11	(0.17)	(0.50)
Diluted (loss) per share (cents per share)	11	(0.17)	(0.50)
Earnings per share attributable to the equity holders of the parent entity:			
Basic (loss) per share (cents per share)	11	(0.17)	(0.59)
Diluted (loss) per share (cents per share)	11	(0.17)	(0.59)
Earnings per share from discontinued operations attributable to the equity holders of the parent entity:			
Basic profit per share (cents per share)		-	0.09
Diluted profit per share (cents per share)		-	0.09

The accompanying notes form part of these financial statements.

INTERMOCO LIMITED AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	12	2,658,955	380,915
Trade and other receivables	13	1,889,005	1,006,136
Inventories	14	337,553	585,084
Other assets	20	9,050	-
Total current assets		4,894,563	1,972,135
Non-current assets			
Financial assets	16	778,000	2,220,000
Plant and equipment	18	697,515	215,036
Goodwill	19	2,158,770	2,158,770
Total non-current assets		3,634,285	4,593,806
Total assets		8,528,848	6,565,941
Current liabilities			
Trade and other payables	21	1,250,191	1,947,299
Borrowings	22	34,032	-
Provisions	25	102,372	104,828
Other financial liabilities	24	2,100,000	-
Other liabilities	23	-	79,500
Total current liabilities		3,486,595	2,131,627
Non-current liabilities			
Borrowings	22	231,287	-
Provisions	25	35,296	71,756
Other financial liabilities	24	-	2,100,000
Total non-current liabilities		266,583	2,171,756
Total liabilities		3,753,178	4,303,383
Net assets		4,775,670	2,262,558
Equity			
Issued capital	26	134,622,480	128,897,445
Share based payment reserve	27	-	945,425
Accumulated losses		(129,846,810)	(127,580,312)
Total equity		4,775,670	2,262,558

The accompanying notes form part of these financial statements.

INTERMOCO LIMITED AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Issued capital $	Share based payments reserve $	Accumulated losses $	Total equity $
Consolidated				
Balance as at 1 July 2008	126,611,543	943,237	(120,774,239)	6,780,541
Net loss for the year	-	-	(6,806,073)	(6,806,073)
Total comprehensive income for the year	-	-	(6,806,073)	(6,806,073)
Transactions with owners in their capacity as owners:				
Shares issued net of costs	2,285,902	-	-	2,285,902
Amortisation of option expenses	-	2,188	-	2,188
Total transactions with owners in their capacity as owners	2,285,902	2,188	-	2,288,090
Balance as at 30 June 2009	128,897,445	945,425	(127,580,312)	2,262,558
Balance as at 1 July 2009	128,897,445	945,425	(127,580,312)	2,262,558
Net loss for the year	-	-	(3,247,123)	(3,247,123)
Total comprehensive income for the year	-	-	(3,247,123)	(3,247,123)
Transactions with owners in their capacity as owners:				
Shares issued net of costs	5,760,235	-	-	5,760,235
Option reserves tranferred (in/out)	(35,200)	(945,425)	980,625	-
Total transactions with owners in their capacity as owners	5,725,035	(945,425)	980,625	5,760,235
Balance as at 30 June 2010	134,622,480	-	(129,846,810)	4,775,670

INTERMOCO LIMITED AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Cash flow related to operating activities			
Receipts from customers and other income		5,472,683	3,325,861
Payments to suppliers and employees		(8,289,765)	(6,187,057)
Interest received		-	39,468
Interest and other costs of finance paid		(269,232)	(274,800)
Net cash flows used in operating activities	31(b)	(3,086,314)	(3,096,528)
Cash flow related to investing activities			
Payment for plant and equipment		(294,422)	(8,581)
Proceeds from sale of business	6(c)	-	1,623,709
Net cash (used in)/provided by investing activities		(294,422)	1,615,128
Cash flow related to financing activities			
Proceeds from security issue		5,760,235	827,000
Repayment of finance leases		(38,341)	(23,023)
Repayment of loans		(63,118)	-
Net cash flows provided by financing activities		5,658,776	803,977
Reconciliation of cash			
Cash and cash equivalents at beginning of year		380,915	1,058,338
Net increase / (decrease) in cash and cash equivalents		2,278,040	(677,423)
Cash and cash equivalents at end of year	31(a)	2,658,955	380,915

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers Intermoco Limited and controlled entities as a consolidated entity. Intermoco Limited is a company limited by shares, incorporated and domiciled in Australia.

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

(a) Basis of preparation of the financial report

Compliance with IFRS

The financial report complies with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Authorisation of the Financial Report

The financial report was authorised for issue by the directors on the date the directors’ declaration is signed.

(c) Currency

The financial report is presented in Australian dollars.

(d) Operations and Principal Activities

The operations and principal activities comprise commercialisation of monitoring and control products and solutions, with particular emphasis on gas and water metering.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and all entities of which Intermoco Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

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

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are fully consolidated from the date on which control is established. They are de-consolidated from the date that control ceases.

Non-controlling interests in the result of subsidiaries are shown separately in the statement of comprehensive income and statement of financial position respectively.

(f) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct material, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(h) Plant and equipment

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Plant and equipment (Continued)

Plant and equipment

Plant and equipment is measured on the cost basis.

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

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a straight line basis over their useful lives commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements	11%	Straight line
Plant and equipment	25%	Straight line
Motor vehicles	20%	Straight line

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

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

(i) Leases

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

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, by recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leases (Continued)

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense in the period in which they are incurred.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(j) Financial instruments

Recognition

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the consolidated entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at cost on trade date, which includes transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Consolidated Entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification

The consolidated entity classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purposes of short-term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial instruments (Continued)

Held-to-maturity investments

These investments are non-derivative financial assets that have fixed maturities, and it is the Consolidated Entity's intention to hold these investments to maturity. Any held-to-maturity investments held by the Consolidated Entity are stated at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial assets, or, where appropriate a shorter period.

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are not included in the above categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, using the effective interest rate method.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit and loss.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

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

(l) Investments in associates

An associated company is a company over which the consolidated entity is able to exercise significant influence.

The equity method of accounting has been applied in relation to all associated companies. The consolidated entity recognises its share of an associate post acquisition profits and losses within the statement of comprehensive income and its share of an associate movements in reserves is recognised in reserves. These movements are adjusted against the carrying amount of the investment less any distribution received.

Unrealised gains and losses on transactions between the consolidated entity and an associate are eliminated to the extent of the entities share in an associate.

(m) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the excess of the cost of an acquisition over the fair value of the consolidated entity's share of net identifiable assets of the acquired entities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is not amortised, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of a cash generating unit include the carrying amount of goodwill relating to the cash generating unit disposed of.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Foreign currency translations and balances

Functional and presentation currency

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

Transactions and Balances

Foreign currency transactions are translated into function currency using the exchange rates prevailing at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

Group companies

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

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at actual exchange rates or average exchange rates for the period, where appropriate; and
- All resulting exchange differences are recognised as a separate component of equity.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits

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

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

(p) Provisions

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

(q) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(r) Revenue

Revenue from sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised when it becomes receivable on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

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

(s) Borrowing costs

Borrowing costs can include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings.

Borrowing costs are expensed as incurred, except for borrowing costs incurred as part of the cost of the construction of a qualifying asset which are capitalised until the asset is ready for its intended use or sale.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

(u) Issued Capital

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 from the proceeds.

(v) Trade and Other Receivables

Trade receivables are recognised at fair value. Collectibility 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 Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor and default payments are considered objective evidence of impairment

(w) Trade and Other Payables

Trade and other payable are carried at cost. They represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured.

(x) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is management's best estimate allowing for the effects of non-transferability and the exercise restrictions using the binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Further details on how the fair value of equity-settled share-based transactions has been determined can be found in ***note 32.*** The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustments to the equity settled employee benefits reserve.

(z) Going concern

The accounts have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlements of liabilities in the ordinary course of business. During the year, income from the sale of products and services has been insufficient to service the Group's running expenses and the Group incurred a loss for the year. The operations of the Group for the year were funded with the assistance of proceeds raised from share issues.

The Company, as at the date of this report has in excess of $2.6 million in cash resources. The convertible note of $2.1 million matures on January 2011 and the note holder has the right to convert to equity in Intermoco Limited at a conversion price of $.055 per share.

The directors continually monitor the on-going funding requirements of the Group. The directors are of the opinion that the current cash flow budgets indicate the Group has the ability if required, to repay the convertible note in cash and also has sufficient working capital funding for ongoing operations. With the improved outlook for the company's services showing budgeted profits from the operating activities, the directors are satisfied that it is appropriate to prepare the accounts on a going concern basis.

(aa) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The Group has adopted all of the new and/or revised Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2009. Those adopted are:

- AASB 3 - Business Combinations
- AASB 7 - Financial Instruments: Disclosures
- AASB 8 - Operating Segments
- AASB 101 - Presentation of Financial Statements
- AASB 127 - Consolidated and Separate Financial Statements
- AASB 2008-1 - Share-based Payments: Vesting Conditions and Cancellations
- AASB 2009-2 - Improving Disclosures about Financial Instruments

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Where the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 101 – Presentation of Financial Statements

Adoption of AASB 101 has impacted the disclosures included in the financial statements. The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The consolidated entity has elected to present all items of recognised income and expense in one single Statement of Comprehensive Income.

(ii) Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2010, are outlined in the table below:

Reference	**Title**	**Details of New Standard / Amendment / Interpretation**	**Impact on Group**	**Application date for the Group**
AASB 9	Financial Instruments	This standard includes the requirements for the classification and measurement of financial assets resulting from Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement.	(iii)	1 July 2013
AASB 124 (revised)	Related Party Disclosures	The main amendments simplify and clarify the intended meaning of the definition of a related party and provide a partial exemption for the disclosure requirements of government-related entities.	(i)	1 July 2011
AASB 2009-5	Further amendments to Australian Accounting Standards arising from the Annual Improvements Process	The amendments affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes.	(ii)	1 July 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2	The amendments resolve diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 – Group and Treasury Share Transactions will be withdrawn from the application date.	(ii)	1 July 2010
AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.	The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.	(ii)	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issue [AASB 132]	The amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments.	(ii)	1 July 2010
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9.	The amendments include introducing two categories for financial assets being amortised cost or fair value; removal of the requirement to separate embedded derivatives in financial assets and changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.	(ii)	1 Jan 2013

(i) The Group's current accounting policy complies with the requirements of the amendment.
(ii) The adoption of this new standard, amendment or interpretation will not have a material impact on the Group's financial statements.
(iii) The Group has not yet determined the potential effect of the standard

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Corporations Act 2001 Amendments

During the year ended 30 June 2010, the Federal Government introduced amendments to the Corporations Act 2001, removing the requirement for consolidated groups to include full parent entity financial statements when preparing consolidated financial statements. Royal Assent for these amendments was received on 28 June 2010. The Group has adopted these amendments for the consolidated financial statements for the year ended 30 June 2010.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affects both current and future periods.

Critical judgements in applying the entity's accounting policies

Financial assets and intangible assets

The Company has identified the valuation of financial assets (Note 16), Intangible assets (Note 19) and their respective Note 1 accounting policies as areas under which significant judgements, estimates and assumptions are made, and where actual results may differ from those estimates under different assumptions and conditions.

NOTE 3: REVENUE

Sales revenue	5,776,599	3,337,888
Interest income	-	39,468
Research and development tax concession	166,066	578,100
Total Revenue from continuing operations	5,942,665	3,955,456

	2010	2009
	$	$

NOTE 4: EXPENSES

(a) Impairment of financial assets

The Consolidated Entity holds 5,555,000 shares ("shares") in an unlisted public company which it acquired for $4,444,444.

In the directors' opinion the fair value of this investment in shares in an unlisted company can not be reliably measured and it is therefore measured at cost less any allowance for impairment. The shares were written down in the 2009 financial year (impairment loss of $2,224,444) based on deteriorating global market conditions since the acquisition and the most recent prices at which shares in the investment company have been offered for sale.

Further review of information from National Energy Management Agency Pty Ltd in 2010 has lead to the view that it is appropriate to value the shares on the basis of four times EBIT. This values the investment at $778,000. Consequently a further impairment of $1,442,000 has been recognised in the 2010 financial year.

(b) Impairment of goodwill

In the prior year an impairment loss of $2,309,244 on goodwill was recognised for continuing operations. The impaired goodwill related to the purchase of Powersave Pty Ltd in December 2007 and Utiligy Water Pty Ltd in April 2007 . The impairment loss has been recognised in the profit and loss. The recoverable amount was based on value in use. Nil impairment has been recognised for the 2010 financial year.

(c) Reversal of previously accrued expense

In the prior year the Consolidated Entity reversed an accrued expense of $240,000 for one of its subsidiaries Sonoran Gold Pty Ltd. Mexex Gold Corporation SAdeCV, a Mexican subsidiary of Sonoran Gold Pty Ltd recognised a possible obligation to pay rentals of $240,000 in 2004. Based on the date the expense was incurred, the lack of contractual obligations and the lack of any demand from the other party, the directors of the Consolidated Entity formed the view that it is not probable a liability exists and reversed the accrual.

NOTE 5: INCOME TAX EXPENSE

	2010 $	2009 $
(a) The prima facie tax on pre-tax accounting loss from operations, is reconciled to income tax expense as follows:		
Loss from continuing operations	(3,103,024)	(7,943,032)
Profit from discontinued operations	-	1,136,959
Operating loss before income tax	(3,103,024)	(6,806,073)
(b) Prima facie tax expense on loss from ordinary activities before income tax at 30% is as follows:		
	(974,137)	(2,041,822)
Add tax effect of:		
R&D Concession	-	(173,430)
Other (non assessable) / non-allowable items	89,423	22,198
Share based payment	102,000	10,764
Impairment of goodwill	-	692,773
Section 40-880	-	(22,983)
Capital related legal expenses	35,365	-
	(747,349)	(1,512,500)
Tax effect of temporary differences not brought to account:		
Impairment of investments	-	667,333
Provision for doubtful debts	58,374	-
Other	688,975	(39,741)
Add: Benefit of tax losses not brought to account	747,349	805,426
Income tax attributable to profit	-	-

	2010	2009
	$	$

NOTE 5: INCOME TAX EXPENSE (CONTINUED)

Consolidated Group
For tax purposes, Intermoco Limited and its wholly-owned Australian subsidiaries formed a tax consolidated group under the tax consolidation regime at 30 June 2007. Intermoco Limited is responsible for recognising the current and deferred tax assets arising from tax losses, if any for the tax consolidated group as it is the head entity. Each company within the tax consolidated group contributes to any income tax payable, if any, in proportion to their contribution to the net profit before tax of the tax consolidated group.

Carry forward tax losses
A deferred tax asset of approximately $13,593,417 of tax losses (2009: $12,846,068) for the Consolidated Entity is potentially available for recoupment at 30 June 2010. Recoupment of prior period tax losses is contingent upon:

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

The directors are currently completing a review of the above tax losses to ensure that the there are no conditions of tax legislation that would limit their use in future financial years.

No deferred tax losses have been brought to account at 30 June 2010 (2009: Nil) as the Directors do not consider it probable that the losses will be realised in the short term.

NOTE 6: DISCONTINUED OPERATIONS

On 23 June 2008, the Consolidated Entity announced the sale of certain assets and liabilities owned by Intermoco Solutions Pty Ltd. This sale was finalised on 21 August 2008. The Consolidated Entity continues in the monitoring and control industry focusing on the products and solutions for the utility industry.

On 21 August 2008, the Consolidated Entity sold certain assets and liabilities owned by Intermoco Solutions Pty Ltd. The financial performance of the discontinued assets and liabilities which is included in loss from discontinued operations in the statement of comprehensive income is as follows:

	2010	2009
	$	$
(a) Financial performance information		
Revenue	-	84,868
License fees (earned as part of sale of business)	-	1,395,555
Cost of goods sold	-	(135,511)
Expenses	-	(110,689)
Loss on disposal	-	(97,264)
Profit before income tax	-	1,136,959
Income tax expense	-	-
Profit attributable to members of the Parent Entity	-	1,136,959

	2010 $	2009 $

NOTE 6: DISCONTINUED OPERATIONS (CONTINUED)

(b) Cash flow information

The net cash flow of the discontinued assets and liabilities which have been incorporated into the statement of cash flows are as follows:

	2010 $	2009 $
Net cash outflow from operating activities	-	(1,548,971)
Net cash outflow from investing activities	-	(138,217)
Net cash outflow from financing activities	-	(34,535)
Net cash decrease generated by the discontinued operations	-	(1,721,723)

(c) Final Accounting as at 30 June 2009

Details of fair value of the assets and liabilities disposed are as follows:

	2010 $	2009 $
Cash consideration received during the year	-	1,623,709
Cash advance received in prior year	-	500,000
	-	2,123,709
Net assets disposed	-	2,220,973
Loss on disposal of division before tax	-	(97,264)
Loss on disposal	-	(97,264)

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the consolidated entity is set out below

	2010 $	2009 $
- short-term employee benefits	675,214	826,217
- post-employment benefits	41,123	18,834
- share-based payments	340,000	35,188
	1,056,337	880,239

(a) Options

The number of options over ordinary shares in the Company held during the financial year by each Director of Intermoco Limited and other Key Management Personnel of the Consolidated Entity, including their personally related parties, are set out below:

2010	Balance at start of the year **	Granted as Compensation	Options Exercised	Net Change Other *	**Balance at end of the year ****	Vested and exercisable	Unvested
Directors of Intermoco Limited							
Mr. Ian Kiddle	-	-	-	-	-	-	-
Mr. Simon Kemp	-	-	-	-	-	-	-
Mr. Andrew Plympton	-	-	-	-	-	-	-
Mr. Andrew Meehan	200,000	-	-	(200,000)	-	-	-
Mr. Robert Gestro	-	-	-	-	-	-	-

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Other Key Management Personnel							
Mr. Geoff Bentley	-	-	-	-	-	-	-
Mr. Oliver Carton	-	-	-	-	-	-	-
	200,000	-	-	(200,000)	-	-	-

2009	Balance at start of the year **	Granted as Compensation	Options Exercised	Net Change Other *	**Balance at end of the year ** **	Vested and exercisable	Unvested
Directors of Intermoco Limited							
Mr. Bob Gestro	-	-	-	-	-	-	-
Mr. Ian Kiddle	-	-	-	-	-	-	-
Mr. Simon Kemp	-	-	-	-	-	-	-
Mr Desmond (Wes) Ferguson	-	-	-	-	-	-	-
Mr. Jeffrey W. Robertson	-	-	-	-	-	-	-
Other Key Management Personnel							
Mr. Andrew Meehan	200,000	-	-	-	**200,000**	200,000	-
Mr. Oliver Carton	-	-	-	-	-	-	-
Mr. Ken Benson	-	-	-	-	-	-	-
Mr. Peter Taylor	2,400,000	-	-	-	**2,400,000**	2,400,000	-
	2,600,000	-	-	-	**2,600,000**	2,600,000	-

All Employee options granted vest one year after grant date and expire within four years after vesting.

* Net Change Other includes options that were forfeited during the year

** If a Director or Other Key Management Personnel has been appointed or left during the year, this is their holding at that date.

(b) Shareholdings

The number of shares in the Company held during the financial year by each Director of Intermoco Limited and other Key Management Personnel of the Consolidated Entity, including their personally related parties, are set out below:

2010	Balance at start of the year **	Granted as Compensation ***	Options Exercised	Net Change Other *	**Balance at end of the year ** **
Directors of Intermoco Limited					
Mr. Ian Kiddle	-	10,000,000	-	-	**10,000,000**
Mr. Simon Kemp	3,224,038	-	-	1,345,962	**4,570,000**
Mr. Andrew Plympton	-	-	-	-	-

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Mr. Andrew Meehan	3,552,500	10,000,000	-	947,500	**14,500,000**
Mr. Robert Gestro	114,065,880	-	-	20,767,188	**134,833,068**
Other Key Management Personnel					
Mr. Geoff Bentley	-	-	-	-	-
Mr. Oliver Carton	1,000,000	-	-	-	**1,000,000**
	121,842,418	20,000,000	-	23,060,650	**164,903,068**

2009	Balance at start of the year **	Granted as Compensation ***	Options Exercised	Net Change Other *	**Balance at end of the year ****
Directors of Intermoco Limited					
Mr. Robert G Gestro	13,333,333	-	-	100,732,547	**114,065,880**
Mr. Ian Kiddle	-	-	-	-	-
Mr. Simon Kemp	-	1,500,000	-	1,724,038	**3,224,038**
Mr Desmond (Wes) Ferguson	-	1,500,000	-	2,000,000	**3,500,000**
Mr. Jeffrey W. Robertson	145,000	1,500,000	-	(1,645,000)	-
Other Key Management Personnel					
Mr. Andrew Meehan	-	-	-	3,552,500	**3,552,500**
Mr. Oliver Carton	-	1,000,000	-	-	**1,000,000**
Mr. Ken Benson	-	-	-	-	-
Mr. Peter Taylor	2,775,957	-	-	-	**2,775,957**
	16,254,290	5,500,000	-	106,364,085	**128,118,375**

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

** If a Director or Other Key Management Personnel has been appointed or left during the year, this is their holding at that date.

*** 20,000,000 (2009: 5,500,000) shares were issued at Nil consideration. The market value of the shares at issued date of 23 December 2009 (2009: 18 December 2008) was used to determine the fair value as disclosed in remuneration.

	2010 $	2009 $
NOTE 8: RELATED PARTY TRANSACTIONS		
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
(a) Transactions with key management personnel of the Group		
Payment of consultancy fees to Carton Solicitors and Lennox Group Pty Ltd, companies associated with Oliver Carton (Company Secretary).	118,459	123,146
Payment to Energy Impact Australia, a company associated with Jeffrey Robertson (former Director), for other services provided	-	42,138

Intermoco has outsourced the company secretary role to Lennox Group Pty Ltd, which provides the services of Oliver Carton for a fixed monthly fee. Oliver Carton performs all the duties associated with the role of Company Secretary in return for this fee. The fee for Company Secretary for the year was $56,000 (2009: $48,000) Oliver Carton is also a solicitor and other payments to him shown in the above table were made to his law firm in return for legal services.

NOTE 9: AUDITORS' REMUNERATION

	2010 $	2009 $
Remuneration of the auditor of the Parent Entity for:		
Auditing or reviewing the financial report	60,000	73,693
Taxation services	11,300	48,320
	71,300	122,013

NOTE 10: DIVIDENDS

During the year ended 30 June 2010, no dividends were paid or declared by the Consolidated Entity (2009: Nil)

	2010 $	2009 $

NOTE 11: LOSS PER SHARE

	2010	2009
(a) Basis loss per share		
From continuing operations	(0.17)	(0.59)
From discontinued operations	-	0.09
Total basic loss per share	(0.17)	0.50
(b) Diluted profit/(loss) per share		
From continuing operations	(0.17)	(0.59)
From discontinued operations	-	0.09
Total diluted Profit/(loss) per share	(0.17)	0.50
(c) Total shares		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted loss per share	1,856,697,640	1,366,948,801

Options that are considered to be potential ordinary shares are excluded from the weighted average number of ordinary shares used in the calculation of basic loss per share. Where dilutive, potential ordinary shares are included in the calculation of diluted loss per share. All the options on issue do not have the effect to dilute the loss per share. Therefore, they have been excluded from the calculation of diluted loss per share.

NOTE 12: CASH AND CASH EQUIVALENTS

	2010	2009
Cash and cash equivalents	650,585	380,915
Cash on deposit	2,008,370	-
	2,658,955	380,915

	2010 $	2009 $

NOTE 13: TRADE AND OTHER RECEIVABLES

	2010 $	2009 $
CURRENT		
Trade debtors	2,055,697	1,006,136
Provision for doubtful debts	(194,581)	-
	1,861,116	1,006,136
Accrued income	27,889	-
	1,889,005	1,006,136

Impairment

Trade receivables are non interest bearing with 30 days terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. The impairment losses have been included within bad debt expenses in the statement of comprehensive income. All trade receivables that are overdue but not impaired have been reviewed and are expected to be received within the short term.

	2010 $	2009 $
Amounts provided during the year	(194,581)	-
Closing balance at 30 June	(194,581)	-

Aged analysis

Trade receivables ageing analysis at 30 June is:

	Gross 2010 $	Impairment 2010 $	Gross 2009 $	Impairment 2009 $
Not past due	1,411,267	-	587,080	-
Past due 31-60 days	171,928	-	195,944	-
Past due 61-90 days	29,061	-	42,161	-
Past due more than 91 days	443,441	(194,581)	180,951	-
	2,055,697	(194,581)	1,006,136	-

NOTE 14: INVENTORIES

	2010 $	2009 $
CURRENT		
At cost		
Finished goods	337,553	585,084

NOTE 15: ASSOCIATED COMPANIES

(a) Associated entities

Interests are held in the following associated companies:

Associated entity details	Equity instrument	Ownership interest		Carrying amount of investment	
		2010 %	2009 %	2010 $	2009 $
KMSB Intermoco SDN. BHD Balance date: 30 June 2010 Country of incorporation: Malaysia	Ordinary shares	49	49	-	-
SMA Thailand Balance date: 30 June 2010 Country of incorporation: Thailand	Ordinary shares	49	49	-	-

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

NOTE 16: FINANCIAL ASSETS

	Note	2010 $	2009 $
NON CURRENT			
Available for sale investments			
At cost			
Shares in other entities		4,444,444	4,444,444
Less: allowance for impairment		(3,666,444)	(2,224,444)
		778,000	2,220,000

In the directors' opinion the fair value of this investment in shares in an unlisted company can not be reliably measured and it is therefore measured at cost less any allowance for impairment. The shares were written down in the 2009 financial year based on deteriorating global market conditions since the acquisition and the most recent prices at which shares in the investment company have been offered for sale.

Further review of information from National Energy Management Agency Pty Ltd in 2010 has lead to the view that it is appropriate to value the shares on the basis of four times EBIT. This values the investment at $778,000. Consequently a further impairment of $1,442,000 has been recognised in the 2010 financial year.

NOTE 17: CONTROLLED ENTITIES

	Country of incorporation	Ownership 2010 %	Ownership 2009 %
Subsidiaries of Intermoco Limited:			
Intermoco Solutions Pty Ltd	Australia	100	100
Australian Meter Company Pty Ltd	Australia	100	100
Intermoco Water Pty Ltd (formerly: Utiligy Water Pty Ltd)	Australia	100	100
Powersave Pty Ltd.	Australia	100	100
National Energy Management Agency Pty Ltd	Australia	100	100
Advanced Energy Limited	Australia	100	100
Sonoran Gold Pty Ltd	Australia	99	99
Mexex Gold Corporation SA de CV	Mexico	99	99
Intermoco Group Pty Ltd (formerly: Utiligy Pty Ltd)	Australia	100	100

NOTE 18: PLANT AND EQUIPMENT

	2010 $	2009 $
Leasehold improvements		
At cost	452,261	234,632
Accumulated depreciation	(142,123)	(113,457)
	310,138	121,175
Plant and equipment		
Plant and equipment at cost	322,069	256,856
Accumulated depreciation	(176,241)	(166,303)
	145,828	90,553
Motor vehicles at cost	-	5,914
Accumulated depreciation	-	(2,606)
	-	3,308
Motor vehicles under lease	288,968	-
Accumulated depreciation	(47,419)	-
	241,549	-
Total plant and equipment	387,377	93,861
Total property, plant and equipment	697,515	215,036

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 18: PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

	2010 $	2009 $
Leasehold improvements		
Opening carrying amount	121,175	131,419
Additions	215,215	-
Additions through acquisition of entities / operations	-	6,663
Depreciation expense	(26,252)	(16,907)
Closing carrying amount	310,138	121,175
Plant and equipment		
Opening carrying amount	90,553	56,812
Additions	79,207	8,581
Disposals	-	(4,454)
Additions through acquisition of entities / operations	-	53,933
Depreciation expense	(23,932)	(24,319)
Closing carrying amount	145,828	90,553
Motor vehicles (at cost and under lease)		
Opening carrying amount	3,308	-
Additions - under finance lease	288,968	-
Disposals - at cost	(3,308)	-
Additions through acquisition of entities / operations	-	4,201
Depreciation expense	(47,419)	(893)
Closing carrying amount	241,549	3,308
Total property, plant and equipment		
Carrying amount at 1 July	215,036	188,231
Additions	583,390	8,581
Disposals	(3,308)	(4,454)
Additions through acquisition of entities / operations	-	64,797
Depreciation expense	(97,603)	(42,119)
Carrying amount at 30 June	697,515	215,036

	2010 $	2009 $
NOTE 19: INTANGIBLE ASSETS		
Goodwill at cost	53,143,335	53,143,335
Provision for impairment loss	(50,984,565)	(50,984,565)
	2,158,770	2,158,770

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

	2010 $	2009 $
Goodwill at cost		
Opening balance	2,158,770	5,926,110
Additions	-	637,894
Disposals	-	(2,095,990)
Impairment	-	(2,309,244)
Closing balance	2,158,770	2,158,770

(b) Reallocation of Goodwill

Net carrying value of Goodwill as at 30 June 2009 represented goodwill relating to Utiligy Pty Ltd, Australian Meter Pty Ltd and Utiligy Water Pty Ltd.

During the period ended 30 June 2010, the business affairs of these entities were transferred to the combined group and these companies no longer traded under their individual names. This has resulted in a reallocation of goodwill to the newly identified combined group. The reallocation has not resulted in any impairment of the goodwill.

NOTE 19: INTANGIBLE ASSETS (CONTINUED)

(c) Impairment loss

The carrying amounts of the Consolidated Entity's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation with any excess recognised through the statement of comprehensive income.

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

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

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

- Cash flow projections based on financial budgets approved by senior management covering a 4 year period (2009: 5 years).
- Forecast cash flows include only local sales. The cash flows were then discounted at a rate of 25% (2009: 25%).
- We have based the calculation on growth rates of 3.5% (2009: 19%), which reflect new orders and revenue streams substantially in place at the date of this report, tapering to a sustainable long term growth rate of 3.5% (2009: 3.5%) for the next 5 years. Budgeted gross margins have been calculated based on analysis of forecast revenues and costs of sales, as per the business plan for the restructured entity.

NOTE 20: OTHER ASSETS

CURRENT		
Prepayments	8,800	-
Bonds and security deposits	250	-
	9,050	-

NOTE 21: PAYABLES

CURRENT		
Unsecured liabilities		
Trade creditors	794,948	1,241,605
Amounts payable to directors	-	63,118
Sundry payables and accrued expenses	455,243	642,576
	1,250,191	1,947,299

	2010 $	2009 $
NOTE 22: BORROWINGS		
CURRENT		
Secured liabilities		
Finance lease liability	54,080	-
Future leasing finance charges	(20,048)	-
	34,032	-
	34,032	-
NON CURRENT		
Unsecured liabilities		
Finance lease liability	270,247	-
Future leasing finance charges	(38,960)	-
	231,287	-
NOTE 23: OTHER LIABILITIES		
CURRENT		
Deferred income	-	79,500
NOTE 24: OTHER FINANCIAL LIABILITIES		
CURRENT		
Convertible note*	2,100,000	-
NON CURRENT		
Convertible note*	-	2,100,000

* The convertible note matures in January 2011. The note holder has the right to convert to equity in Intermoco Ltd at a conversion price of $0.055 per share.

The convertible note carries annual interest of 12%.

		2010 $	2009 $
NOTE 25: PROVISIONS			
CURRENT			
Employee benefits	(a)	102,372	104,828
NON CURRENT			
Employee benefits	(a)	35,296	71,756

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

		2010 $	2009 $
(a) Aggregate employee benefits liability		137,668	176,584

NOTE 26: SHARE CAPITAL

		2010 $	2009 $
- 1,934,835,922 (2009: 1,530,760,519) Ordinary shares	(a)	133,708,400	127,948,165
- 38,181,818 (2009: 238,181,818) Options	(b)	914,080	949,280
		134,622,480	128,897,445

	2010		2009	
	Number	$	Number	$
(a) Ordinary shares				
Opening balance	1,530,760,519	127,948,165	1,247,274,826	125,662,263
Shares issued:				
23 December 2009	20,000,000	340,000	-	-
16 September 2009	290,142,071	4,011,235	-	-
29 July 2009	93,333,332	1,400,000	-	-
13 May 2009	-	-	31,000,000	310,000
2 February 2009	-	-	83,242,188	544,499
18 December 2008	-	-	5,500,000	33,000
21 August 2008	-	-	45,526,838	682,903
30 June 2008	-	-	116,666,667	700,000
Transaction costs relating to shares issues	600,000	9,000	1,550,000	15,500
	404,075,403	5,760,235	283,485,693	2,285,902
	-	-	-	-
At reporting date	1,934,835,922	133,708,400	1,530,760,519	127,948,165
(b) Options				
Opening balance	238,181,818	949,280	238,181,818	949,280
Options transferred to accumulated losses on expiry	(200,000,000)	(35,200)	-	-
At reporting date	38,181,818	914,080	238,181,818	949,280

NOTE 26: SHARE CAPITAL (CONTINUED)

During the year 200,000,000 options expired unexcercised.

Rights of each type of share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitle to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 27: RESERVES

Share based payments reserve	-	945,425
	-	945,425

The share based payments reserve is used to record the fair value of options issued to employees.

No employee options are outstanding as at 30 June 2010, unexercised option reserve balance transferred to accumulated losses.

NOTE 28: CAPITAL AND LEASING COMMITMENTS

(a) Finance leasing commitments

Payable		
- not later than one year	54,080	-
- later than one year and not later than five years	270,246	-
Minimum lease payments	324,326	-
Less future finance charges	(59,007)	-
Total finance lease liability	265,319	-
Represented by:		
Current liability	34,032	-
Non-current liability	231,287	-
	265,319	-

Finance leases of motor vehicles.

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable		
- not later than one year	254,063	329,596
- later than one year and not later than five years	680,858	465,511
- later than five years	780,149	-

	2010 $	2009 $
NOTE 28: CAPITAL AND LEASING COMMITMENTS (CONTINUED)		
	1,715,070	795,107

Office rental commitments not provided for in the statement of financial position.

The consolidated entity entered into a lease for a premises in South Melbourne which it has since vactated. A sub-lease was entered with a third party. Payments by the considated entity are greater than payments received under the sub-lease. The lease of the premesis will expire in February 2011.

NOTE 29: CONTINGENT LIABILITIES

At the date of this report there were no contingent liabilities or assets.

NOTE 30: SEGMENTAL REPORTING

(a) Industry segments

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

(b) Geographical segments

The Consolidated Entity operates predominantly in the one geographical segment being Australia.

The principal business of the group is the commercialisation of monitoring and control products and solutions, with particular emphasis on gas and water metering, primarily in Australia .

Management has determined the operating segment based upon reports reviewed by the board and executive management that are used to make strategic decisions. Management and the Board consider the business only from Intermoco UCG operational perspective and therefore only reviews reports based upon its current UCG development operations as disclosed within the financial reports.

	2010 $	2009 $

NOTE 31: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2010 $	2009 $
Cash at bank	650,585	380,915
At call deposits with financial institutions	2,008,370	-
	2,658,955	380,915

(b) Reconciliation of cash flow from operations with loss after income tax

	2010 $	2009 $
Loss from ordinary activities after income tax	(3,247,123)	(6,803,885)
Adjustments and non-cash items		
Add back depreciation and amortisation expense	97,603	42,119
Add back impairment of other financial assets	1,442,000	2,224,444
Add back employee share options expensed	-	2,188
Add back impairment of goodwill	-	2,309,244
Add back equity based remuneration	-	33,000
Add back loss on sale of business	-	97,264
Add back provision for doubtful debts	127,917	-
Add back loss on disposal of property, plant and equipment	3,308	-
Finance lease interest reclassified as financing activities	14,692	-
Less reversal of Impairment of debt recovery	-	(62,442)
Changes in assets and liabilities		
Trade and other receivables	(1,010,786)	728,359
Other assets	(21,769)	-
Inventories	247,531	(112,677)
Trade and other payables	(700,771)	(1,573,845)
Assets held for sale	-	(91,962)
Provisions	(38,916)	113,853
	160,809	3,709,545
Cash flows from operating activities	(3,086,314)	(3,094,340)

(c) Non cash investing and financing activities

During the period the consolidated entity acquired fixed assets of $288,968 (2009: $nil) by means of finance leases.

NOTE 32: SHARE BASED PAYMENTS

(a) Employee share options

Details of the options granted are provided below:

2010

	Exercise price	Balance at beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at end of the year
Employee share options	$ 0.05	22,300,000	-	-	22,300,000)	-	-
Other options	$ 0.10	238,181,818	-	-	(200,000,000)	38,181,818	38,181,818
		260,481,818	-	-	(222,300,000)	38,181,818	38,181,818
Weighted average exercise price:		$ 0.05	$ -	$ -	$ -	$ 0.05	$ 0.05

No options were granted during the current year.

2009

	Exercise price	Balance at beginning of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at the end of the year	Exercisable at end of the year
Employee share options	$ 0.05	35,400,000	-	-	(13,100,000)	22,300,000	22,300,000
Other options	$ 0.10	238,181,818	-	-	-	238,181,818	238,481,818
		273,581,818	-	-	(13,100,000)	260,481,818	260,781,818
Weighted average exercise price:		$ 0.05	$ -	$ -	$ -	$ 0.05	$ -

No options were granted during the prior year.

NOTE 33: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2010 that has significantly affected or may significantly affect:

(a) the operations, in financial years subsequent to 30 June 2010, of the consolidated entity, or
(b) the results of those operations, or
(c) the state of affairs, in financial years subsequent to 30 June 2010, of the consolidated entity.

NOTE 34: FINANCIAL RISK MANAGEMENT

The consolidated entity is exposed to a variety of financial risks comprising:

(a) Interest rate risk
(b) Credit risk
(c) Liquidity risk

The board of directors have overall responsibility for identifying and managing operational and financial risks.

(a) Interest rate risk

The consolidated entity is exposed to interest rate risks via cash and cash equivalents that it holds and other financial liabilities. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The objective of managing interest rate risk is to minimise the consolidated entity's exposure to fluctuations in interest rates that might impact it's interest revenue and interest expense and therefore it's cashflow.

The consolidated entity's exposure to interest rate risk in relation to future cashflow's and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2010

Financial instruments	Interest bearing $	Non-interest bearing $	Total carrying amount $	Weighted average effective interest rate	
Financial assets					
Cash	2,658,955	-	2,658,955	4.7 %	Floating
Debtors	-	2,212,515	2,212,515	0.0 %	
Available for sale financial assets at cost	-	778,000	778,000	0.0 %	
	2,658,955	2,990,515	5,649,470		
Financial liabilities					
Creditors	-	794,948	794,948	0.0 %	
Leases	265,319	-	265,319	8.7 %	Fixed
Other payables	-	252,428	252,428	0.0 %	
Other financial liabilities	2,100,000	-	2,100,000	12.0 %	Fixed
	2,365,319	1,047,376	3,412,695		

2009

Financial assets					
Cash	380,915	-	380,915	2.5 %	Floating
Debtors	-	1,003,136	1,003,136	0.0 %	
Available for sale financial assets at cost	-	2,220,000	2,220,000	0.0 %	
	380,915	3,223,136	3,604,051		

NOTE 34: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Interest rate risk (Continued)

Financial instruments	Interest bearing $	Non-interest bearing $	Total carrying amount $	Weighted average effective interest rate
Financial liabilities				
Creditors	-	1,241,605	1,241,605	0.0 %
Related party payables	-	63,118	63,118	0.0 %
Trade and other payables	-	642,576	642,576	0.0 %
Other financial liabilities	2,100,000	-	2,100,000	12.0 % Fixed
	2,100,000	1,947,299	4,047,299	

Sensitivity

If interest rates were to increase/decrease by 1% from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	2010	2009
+ / - 1% interest rate	$	$
Impact on loss after tax	(15,199)	(3,809)
Impact on equity	15,199	3,809

(b) Credit risk

The consolidated entity is exposed to credit risk via its cash and cash equivalents, trade and other receivables and other financial assets. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the consolidated entity. To reduce risk exposure to the consolidated entity's cash and cash equivalents, it places them with high credit quality financial institutions.

The consolidated entity has analysed its trade and other receivables at Note 13.

(c) Liquidity risk

The Consolidated Entity is exposed to liquidity risk via its trade and other payables and financial liabilities. Liquidity risk is the risk that the Consolidated Entity will encounter difficulty in raising funds to meet the commitments associated with its financial instruments. Responsibility for liquidity risk rests with the Board who manage liquidity risk by monitoring undiscounted cash flow forecasts and actual cash flows provided to them by the Company's Management at Board meetings to ensure that the Consolidated Entity continues to be able to meet its debts as and when they fall due. Contracts are not entered into unless the Board believes that their is sufficient cash flow to fund the additional activity. The Board considers, when reviewing its undiscounted cash flow forecasts, whether the Consolidated Entity needs to raise additional funding from equity markets.

The consolidated entity has analysed its trade and other payables below:

NOTE 34: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

Year ended 30 June 2010	< 6 months	6-12 months	1-5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
Payables	1,262,910	-	-	1,262,910	1,250,191
Borrowings	16,656	17,376	231,287	265,319	265,319
Other financial liabilities	-	2,100,000	-	2,100,000	2,100,000
Net maturities	1,279,566	2,117,376	231,287	3,628,229	3,615,510
Year ended 30 June 2009					
Payables	1,947,299	-	-	1,947,299	1,947,299
Other financial liabilities	-	-	2,100,000	2,100,000	2,100,000
Net maturities	1,947,299	-	2,100,000	4,047,299	4,047,299

NOTE 35: PARENT ENTITY DETAILS

Summarised presentation of the parent entity, Intermoco Limited, financial statements:

(a) Summarised statement of financial position

Assets		
Current assets	2,576,068	293,541
Non-current assets	4,881,625	4,879,904
Total assets	7,457,693	5,173,445
Liabilities		
Current liabilities	2,682,023	810,887
Non-current liabilities	-	2,100,000
Total liabilities	2,682,023	2,910,887
Net assets	4,775,670	2,262,558
Equity		
Share capital	134,622,480	128,897,445
Retained earnings	(129,846,810)	(127,580,312)
Reserves		
Share based payments reserve	-	945,425
Total equity	4,775,670	2,262,558

(b) Summarised statement of comprehensive income

Loss for the year	(2,872,202)	(6,191,437)
Other comprehensive income for the year	-	2,188
Total comprehensive income for the year	(2,872,202)	(6,189,249)

INTERMOCO LIMITED AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

The directors of the company declare that:

1. In the directors opinion the financial statements and notes, as set out on pages 12 to 66 are in accordance with the *Corporations Act 2001*:

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

   (b) as stated in Note 1, the consolidated financial statements also comply with *International Financial Reporting Standards* issued by the International Accounting Standards Board (IASB) and

   (c) give a true and fair view of the financial position of the consolidated entity as at 30 June 2010 and and its performance for the year ended on that date.

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

The declaration has been made after receiving the declarations required by the chief executive officer and chief financial officer to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

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

Director: ______________________________

Mr. Ian Kiddle

Dated this 30th day of September 2010

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF INTERMOCO LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Intermoco Limited, which comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising Intermoco Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

Auditor's Opinion

In our opinion:

(a) the financial report of Intermoco 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 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF INTERMOCO LIMITED

PKF

Chartered Accountants
& Business Advisers

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 20 of the directors' report for the period ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Intermoco Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

PKF

PKF

30 September 2010
Melbourne

R A Dean
Partner