Financial information

I Annual Report 2003-2004 I

I CORPORATE DIRECTORY I

Intellect Holdings Limited ABN: 50 009 366 009
Incorporated in Australia

Directors
Dr. J.E. Haag
Mr. C. De Smet
Mr. G.K. Henderson (appointed August 2004)

Company Secretary
Mr. A. P. Legg

Registered Principal Office
Level 3, 554 Church Street
Richmond VIC 3121
Australia

Solicitors to the Company
Minter Ellison
Rialto Towers 525 Collins Street
Melbourne VIC 3000
Australia

Bankers to the Company
ABN AMRO Bank
Regentlaan 53
1000 Brussels
Belgium

ING Bank
Stationsstraat 78
1930 Zaventem
Belgium

Westpac Banking Corporation
360 Collins Street
Melbourne VIC 3000
Australia

Auditors to the Company
PricewaterhouseCoopers
333 Collins Street

Melbourne VIC 3000
Australia

Share Registry
Computershare Investor Services Pty Ltd.
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000
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I DIRECTORS' REPORT I

The Directors present their report together with the consolidated financial statements of Intellect Holdings Limited (Intellect) being the Company and its controlled entities for the year ended 30 June 2004.

I DIRECTORS I

The following persons were Directors of Intellect Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr. C. De Smet (appointed 5 September 2003)
Mr. J.A.C. de Smet (resigned 26 May 2004)
Mr. F. De Vrieze (resigned 5 September 2003)
Dr. J.E. Haag
Mr. G.K. Henderson (appointed 6 August 2004)
Mr. M. Jefferies (appointed 13 October 2003, resigned 13 July 2004)
Mr. R.W. Leighton (resigned 13 October 2003)
Mr. D.A. Taylor (resigned 12 August 2004)

I PRINCIPAL ACTIVITIES I

The principal activities of the consolidated entity are electronic product development and distribution. The consolidated entity has established significant local and international markets for unique products that ensure the confidential and safe transfer of money and financial information between consumers, retailers and banks. The consolidated entity has continued to develop its special expertise in the areas of Secure Data Transmission, Electronic Funds Transfer and Smart Card Technology.

I CONSOLIDATED RESULTS I

The consolidated net profit/(loss) for the consolidated entity for the year ended 30 June 2004, before income tax is -$33,058,547 (2003 $-26,685,212). The income tax expense/(benefit) for the year ended 30 June 2004 is $7,873,093 (2003 $-8,750,011).

I DIVIDEND PAYMENT I

The Directors recommend that no dividend be declared or paid.

I REVIEW OF OPERATIONS I

The consolidated entity continues to implement its strategy and develop its expertise in the areas of electronic funds transfer, payment technology and value added services propositions. Business strategy during the financial year was characterised by the introduction of new products into new markets as the basis for future growth. Notable achievement since 30 June 2003 has been the certification of its new Presto product in many international markets allowing for breakthrough contracts in a number of substantial markets, including China, Brazil and South Africa, and the successful implementation of its TAFMO services business model. The strategy for the next financial year focuses on consolidation on existing customers and customer leads rather than breaking new ground.

On the 31 May 2004 Intellect Touch Pty Ltd purchased the 100% of the shares in Touch Networks Pty Ltd as part of the purchase of assets from Touchcorp Ltd for 5,389,831 shares in the company and a royalty payment of 25.5% of gross commission revenue of Intellect Touch Pty Ltd earned in Australia for a further 5 years. The operating results of the newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

During the period Intellect Australia Pty Ltd completed the sale of its customer service & repair business to Australian Electronic Manufacturing Services ("AEMS") Pty Ltd, for an amount of $900,000. The proceeds of this sale have been fully recognised in the period ending 30 June 2004.

The introduction of new products into new markets transpired to be more time consuming than expected, and as such did not contribute substantially to the year's revenue. The delays were attributable mainly to application developments and certifications for these new markets and a number of customer timing issues.

The loss from ordinary activities before income tax expense amounts to $33.0 million compared to a loss of $26.7 million last year.

The income tax expense for the financial year amounts to $7.9 million, resulting in a net loss after tax for the year of $40.9 million, compared to $17.9 million last year. The significant tax expense is the result of a the decision taken by Intellect's board to fully write down the company's cumulative Deferred Tax assets, in accordance with Accounting Standard AASB 1020, in order to increase transparency of the balance sheet.

The result before tax has furthermore been affected by the strict limitation of "work in progress" to those customer projects actually being deployed and as such expected to generate revenue in the short term. The board has adopted this conservative approach in view of the timing issues experienced in the current financial year. As a consequence "work in progress" decreased by $3.4 million.

The company also suffered from two substantial uncollected customer receivables. Although legal actions are being taken to recover payments, a bad debts reserve has been recorded for an amount of $3.1 million.

In addition, the full cost of the restructuring, as announced in April 2004, for an amount of $3.4 million has been accounted for in the financial year ending 30 June 2004. The benefit of the restructuring, which will reduce annual operating expenses by some 40%, will become apparent in the next financial year.

In the short term the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due remains critically dependent upon the ability to generate revenues and cash flows in the new markets, achieve delivery schedules, work within available bank facilities and undertake additional financing activities. In relation to the current banking facilities, the main bankers have not indicated to the Directors an intention to withdraw their continued support, in order to allow the Directors to progress in the undertaking of additional financing activities. Accordingly the future cash flows of the consolidated entity depend on future events which involve risks and uncertainties.

As a result of these matters, there is significant uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the year-end financial report. The Directors have carefully reviewed the cash flow forecast and financing alternatives available to the Group and believe that the consolidated entity will be successful in the above matters and, accordingly, have prepared the year-end financial report on a going concern basis.

	2004 Cents	2003 Cents	2002 Cents	2001 Cents	2000 Cents
Basic earnings/(loss) per share	-15.71¢	-8.23¢	3.23¢	4.40¢	5.90¢

I SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS I

In the opinion of the Directors there have been no significant changes in the state of affairs of the Company or the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or the Company's accounts.

I EVENTS SUBSEQUENT TO BALANCE DATE I

An equity raising was undertaken during August 2004 with the sale of the TAFMO value added services business by way of the offer of a pro rata entitlements issue to Intellect shareholders resident in Australia. The offer was fully underwritten by Sabatica Pty Ltd, a subsidiary of Guinness Peat Group plc (GPG)

I LIKELY DEVELOPMENTS I

Disclosure of information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

I DIRECTORS' INFORMATION I

Director	Age	Date Appointed	Responsibilities	Share/option holding (at date of report) Ordinary Shares	Options
Mr. C. De Smet	57	5 Sept 2003	Non-Executive Director	Nil	Nil
Dr. J.E. Haag	57	1999	Executive Chairman	2,000,000	Nil
Mr. G.K. Henderson	56	6 August 2004	Non-Executive Director	Nil	Nil
Mr. J.A.C. de Smet (resigned 26 May 2004)	45	2001	Executive Director	250,000	Nil
Mr. D.A. Taylor (resigned 12 August 2004)	62	1999	Non-Executive Director	250,000	Nil
Mr. M. Jefferies (resigned 13 July 2004)	48	13 October 2003	Non-Executive Director	Nil	Nil
Mr. F. De Vrieze (resigned 5 September 2003	61	1999	Executive Director	Nil	Nil
Mr. R.W. Leighton (resigned 13 October 2003)	61	1999	Non-Executive Director	Nil	Nil

I DIRECTORS' REPORT I

I Mr. C. De Smet (appointed 5 September 2003)I

Mr. Chris De Smet was appointed a Director of Intellect Holdings Limited on 5 September 2003. He is a Partner at Unisys Consultants' office in Brussels, leading the Financial Services Industry practice, where he has worked for multiple international clients in the payments industry. Specialising in strategic, commercial and change management, he has worked in global organisations with a focus on shareholder value and customer profitability. With senior management and board level experience gained at leading companies including Oracle, Europay/MasterCard, AT&T, Citibank, Diner's Club and Airplus, Mr. De Smet has substantial knowledge of the payment systems industry.

I Dr. J.E. Haag I

Dr. Jos E. Haag has been Chairman of the Board since October 1999. His background has involved general management and negotiating of take-overs and mergers in an international environment.

Dr. Haag acts furthermore as a Member/Chairman of the Board of Directors of several international companies. Dr. Haag also acted as Executive Chairman of Intellect during the first 10 months after the recapitalisation of the company in October 1999.

I Mr. G.K. Henderson (appointed 6 August 2004) I

Mr. Graham Henderson joined the Company as General Manager of Intellect's Australian and New Zealand operations in 2002. He currently sits on the Board of Intellect Australia Pty Ltd and became a Non-Executive Director of Intellect Holdings Limited on 6 August 2004.

I Mr. J.A.C. de Smet (resigned 26 May 2004) I

Mr. de Smet resigned from his position as CEO of the Company on 26 May 2004. Mr. Jan de Smet was CEO since August 2000 and he was previously CFO of the company. Prior to joining Intellect Mr. de Smet had extensive experience in strategic business development and financial, commercial, manufacturing and general management in internationally operating companies within chemical, dairy food, IT, textiles and mechanical engineering industries.

I Mr. M.L. Jefferies (appointed 13 October 2003, resigned 13 July 2004) I

Mr. Michael Jefferies resigned from his position as a Non-Executive Director on 13 July 2004. Mr Jefferies was appointed a Director of Intellect Holdings Limited on 1 August 2004. He is an Executive Director of MEM Group Ltd (which recently became a wholly owned subsidiary of Guinness Peat Group plc ("GPG") and he previously acted as Managing Director of Aurora Gold Ltd and Otter Gold Mines Ltd. He is currently a Non-Executive Director of Solution 6 Holdings Limited and an alternate director of Tower Limited. Mr Jefferies is a Chartered Accountant with extensive experience in finance and investment including more than 10 years as an Executive of GPG.

I Mr. D.A. Taylor (resigned 12 August 2004) I

Mr. David Taylor resigned from his position as a Non-Executive Director and Company Secretary on 12 August 2004. Mr Taylor is Chairman of the Perth Market Authority and has extensive commercial experience with a banking and marketing background. Mr Taylor is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Banking and Finance.

I Mr. R.W. Leighton I (retired 13 October 2003)

Mr Leighton resigned from his position as a Non-Executive Director on 13 October 2003. Mr. Ross Leighton was Executive Chairman of Intellect from its initial purchase in 1989 until 1999. He served as a Non-executive Director. Over the past 20 years, Mr. Leighton has established and developed several successful private companies, including a specialist management company, manufacturing company and nursing home facilities. Mr. Leighton is a Fellow of the Australian Institute of Management and a member of the Australian Institute of Company Directors.

I Mr. F. De Vrieze (retired 5 September 2003) I

Mr. De Vrieze resigned from his position as an Executive Director 5 September 2003. Mr. Francis De Vrieze was Executive Marketing Director of Intellect Holdings Ltd. He was founder General Manager of Transac Data Systems, a subsidiary of Alcatel specialised in networking, programmable terminals and banking systems. Mr. De Vrieze was General Manager of Intellect-Prodata (and its predecessor Prodata) from 1991 until 1996, when he was appointed as a Director responsible for Strategic Business Development. After Intellect's recapitalisation in 1999 Mr. De Vrieze became Director and Corporate Chief Marketing Officer.

I DIRECTORS' BENEFITS I

No director of the Company has, since the end of the previous financial year, received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors as detailed in the consolidated financial statements) by reason of a contract made by the consolidated entity or a controlled entity with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest, except for any benefit that may be deemed to have arisen in relation to the contracts disclosed in Note 23 & 31 of the financial statements.

I DIRECTORS' INTERESTS IN CONTRACTS I

Mr Michael Jefferies is a director of Sabatica Pty Ltd, which advanced loans to the Company and also underwrote the TAFMO equity raising described previously in this report. Other than above no material contracts involving directors' interests were entered into since the end of the previous financial year, or existed at the end of the financial year, other than the transactions detailed in Note 23 & 28 of the financial statements.

I DIRECTORS' MEETINGS I

Twenty-one directors' meetings were held during the financial year.
Seven audit committee meetings were held during the year.
Two remuneration committee meetings were held during the year.
The number of directors' audit committee and remuneration committee meetings attended during the financial year were:

Director	Number of Directors' Meetings held whilst in Office	Number of Directors' Meetings Attended	Audit Committee Meetings (7 meetings were held until end of August 2004)	Remuneration Committee Meetings (2 meetings were held during 2003/04 year
Mr. C. De Smet (appointed 5 September 2003)	16	10	*	2
Dr. J.E. Haag	21	21	7	2
Mr. J.A.C. de Smet (resigned 26 May 2004)	19	19	*	*
Mr. F. De Vrieze (resigned 5 September 2003)	4	4	*	*
Mr. M. Jefferies (appointed 13 October 2004, resigned 30 July 2004)	16	15	4	*
Mr. R.W. Leighton (resigned 13 October 2003)	5	5	*	*
Mr. D.A. Taylor (resigned 12 August 2004)	21	21	7	2

*Not a member of the relevant committee

I DIRECTORS' AND COMPANY SECRETARY APPOINTMENTS AND RESIGNATIONS I

Mr. D.A. Taylor resigned as a Non-Executive Director and Company Secretary on 12 August 2004. Mr. M. Jefferies resigned as a Non-Executive Director on 13 July 2004. Mr. J.A.C. de Smet resigned as CEO and Director on 26 May 2004. Mr. R.W. Leighton resigned as a non-Executive Director on 13 October 2003. Mr. F. De Vrieze resigned as a non-Executive Director on 5 September 2003.

Mr G.K. Henderson was appointed as a Non-Executive Director on 6 August 2004. MR. C. De Smet was appointed as a Non-Executive Director on 5 September 2003.

I REMUNERATION REPORT I

I Directors' and Executives' Emoluments I

Directors' and executives' remuneration packages are determined by the Board on recommendation from the Remuneration and Nominations Committee.

Director's fees are reviewed biennially, with reference to published surveys on Australian directors' remuneration, and benchmarked against fees paid by companies of similar size.

Executive remuneration packages are established at industry related levels. Executive salary reviews thereafter are undertaken on the basis of individual achievement versus pre-determined Key Performance Indicators (KPIs).

Performance-related bonuses and share options are also considered part of the remuneration packages to recognise outstanding individual corporate performance.

In view of the corporate results, no new executive options were granted during 2004 financial year.

Details of the nature and amount of each element of the emoluments of each Director of Intellect Holdings Ltd. and the five Officers of the Company and the consolidated entity receiving the highest emoluments during the financial year are set out in the following tables.

I Directors of Intellect Holdings Ltd. I

Non-Executive Directors of Intellect Holdings Ltd.

	Primary				Post-employment		Equity	
Name	Base Fee	Motor Vehicle	Bonus	Other Benefits	Super-annuation	Retirement	Options Benefits	Total
	$	$	$	$	$	$	$	$
Mr. C. De Smet	40,090	-	-	-	-	-	-	40,090
Dr. J.E. Haag Chairman	65,000	-	-	-	-	-	-	65,000
Mr. M. Jefferies	44,667							44,667
Mr. R.W. Leighton	13,333	-	-	-	-	-	-	13,333
Mr. D.A. Taylor	79,117	-	-	-	6,700	-	-	85,817

Note: In addition to Director's Fees , Mr. D.A. Taylor received a fee of $30,000 for fulfilling the duties of company secretary.

Executive Directors of Intellect Holdings Ltd.

	Primary				Post-employment		Equity	
Name	Base Fee	Motor Vehicle	Bonus	Other Benefits	Super-annuation	Retirement	Options Benefits	Total
	$	$	$	$	$	$	$	$
Mr. F. De Vrieze	268,632	36,768	-	19,540	30,431	520,546	-	875,917
Mr. J.A.C. de Smet	315,539	35,828	-	29,675	-	130,610	-	511,652
Dr. J.E. Haag	58,942							58,942

The retirement benefits represent the accrued benefit as per 30 June 2004 and consists of the aggregate amounts for the period as from 1 July 2004, in accordance with the termination conditions being 18 months for Mr. De Vrieze and 6 months for Mr. de Smet.

Dr. J.E. Haag assumed the role of executive director of Intellect Holdings Ltd as from April 2004 onwards, in transition to the resignation of Mr. de Smet whose resignation became effective on 26 May 2004. The remuneration the executive-director position of Dr. J.E. Haag has been determined in a service contract at a fixed daily rate $ 2,780 /day.

There are no other executive directors of Intellect Holdings Ltd.

I Other Executive Officers of the Consolidated Entity I

Name	Primary				Post-employment		Equity	
	Base Fee	Motor Vehicle	Bonus	Other Benefits	Super-annuation	Retirement	Options * Benefits	Total
	$	$	$	$	$	$	$	$
Mr. W. Brinkman Chief Marketing Officer Belgium	260,000	18,265		148,258	23,400	-	22,643	472,566
Mr. R. Schmid General Manager Hong Kong	182,304	-	-	106,410	12,600	128,028	-	429,342
Mr. R. Boonstra Chief Operations Officer Belgium	180,688	17,140	-	11,169	-	8,567	-	217,564
Mr. A. Israël Regional Sales Representative France	190,891	6,179	39,784	13,947	-	18,515	-	269,316
Mr P. Course TAFMO Division Manager Belgium	162,872	16,274	88,458	49,315	22,619	-	10,927	350,465

Employer on-costs with respect of Social Security charges and payroll tax are excluded from the reporting of employee emoluments as it is not considered to be a direct benefit.

*The options have been valued using the Black-Scholes option valuation methodology as at the grant date adjusted for the probability of performance hurdles being achieved if any. The amounts disclosed in remuneration have been determined by allocating the value of the options evenly over the period from grant date to vesting date or if vesting immediately in the year of granting in accordance with ASIC guidelines. The assumptions used in the calculations are the Historical Share Price Volatility which over the last 12 month is 119.0% and the Risk Free Rate which is 5.40%.

I OPTIONS I

During or since the end of the financial year the Company has not granted any options.

I Options outstanding as at date of this report 15 September 2004 I

Number of options outstanding	Date of Grant	Exercise Price	Date of Expiry
250,000	8 August 2002	$0.38	8 August 2007
500,000	1 September 2002	$0.36	1 September 2007
750,000			

I Shares issued on the exercise of options I

During the financial year, there were no shares issued by the Company as a result of the exercise of plan options. All unissued shares under options are shares to be issued by Intellect Holdings Ltd. and are of the class of ordinary shares.

I INDEMNIFICATION AND INSURANCE OF OFFICERS I

During the financial year the Company entered into agreements to indemnify all Directors of the Company named in this report and current and former Executive Officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as director or executive officer unless the liability relates to conduct involving a lack of good faith. The Company has agreed to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

During the financial year the Company paid insurance premiums totalling $85,523 (2003 - $51,139) in respect of directors' and officers' liability insurance.

The policies do not specify the premium for individual directors and executive officers.

The directors' and officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from liability to persons (other than the Company of a related body corporate) incurred in their position as director or executive officer, unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

I ROUNDING OF AMOUNTS I

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

I AUDITOR I

PricewaterhouseCoopers continues in office as the Auditors for the consolidated entity.

I ENVIRONMENTAL REGULATION I

The consolidated entity is not subject to any significant environmental regulation.

Signed in accordance with a resolution of the Board of Directors.

Dr. J.E. Haag
Executive Chairman

30 September 2004
Melbourne

I CORPORATE GOVERNANCE STATEMENT I

ASX Principles of Good Corporate Governance

The Company has reviewed the Principles of Good Corporate Governance and Best Practice Recommendations for Australian listed companies published by the Australian Stock Exchange Corporate Governance Council on March 31, 2003 (the "ASX Recommendations"). The following sets out the Company's current position in respect of the ASX Recommendations. Further detail and definitions can be found on our website, www.intellect.com.au.

Principle 1: Lay Solid Foundations for Management Oversight

In November 2002 the Board adopted a Charter which presents the framework for delivering best practice corporate governance. This Charter has particular focus on ensuring productive relationships between management and the Board.

Under the Charter the major roles the Board has defined to fulfil its responsibilities to shareholders and the community are:

- Considering and adopting the goals of Intellect, reflected in short, medium and long term objectives, including an annual budget and 3-year forecast
- Reviewing, guiding and approving the corporate strategic plans related to achievement of these goals
- Monitoring the performance of the company in meeting its objectives
- Appointing and approving the terms and conditions of the appointment of the CEO
- Reviewing and providing feedback on the performance of the CEO
- Endorsing the terms and conditions of senior executives of the company
- Establishing and determining the powers and functions of the committees of the Board
- Approving capital expenditure outside budget
- Approving all operational expenditures outside budget
- Approving all mergers, acquisitions and partnerships
- Ensuring an adequate risk management process is in place
- Ensuring the company has policies and procedures to satisfy its legal and ethical responsibilities
- Overseeing the process of market disclosure and communication.

The Board carries out its activities principally through the delegation of powers and responsibilities to the CEO. These delegations are clearly documented in the Charter. To assist it in fulfilling its duties the Board has appointed an Audit Committee and a Remuneration and Nominations Committee with membership of the committees comprising non-executive directors. The committees are advisory in nature and provide the Board with more depth of focus on these important business functions.

Principle 2: Structure the Board to Add Value
The Board is responsible for the long-term growth and profitability of the Company. To ensure it is equipped to discharge its responsibilities the Board has established guidelines for the appointment of directors as below. In accordance with the Constitution the Board may comprise from 3 to 10 directors. The Board Charter stipulates that the majority of the Board should comprise independent directors, which should include the Chairman. There are currently three directors of which three are in a non-executive capacity. All of the non-executive directors are independent, including the Chairman.*

Other than the Managing Director, one third of the directors retires by rotation every year and may be nominated for re-election. The Board composition is designed to comprise directors with a range of expertise encompassing the current and proposed activities of the Company.

The Remuneration and Nominations Committee, which was established in September 2003, is charged with the responsibility of periodically reviewing Board competencies in relation to Company needs and nominating potential candidates to Board for approval when required.

The qualifications and experience of the current Board members are listed separately on our website.

*Note: At the time of writing this report the Chairman has temporarily assumed an executive role pending replacement of the CEO. On successful recruitment of a CEO the Chairman will revert to a non-executive position.

Principle 3: Ethical and Responsible Decision Making
All directors, managers and employees are required to act honestly and with integrity.
To reinforce these requirements the Board adopted a Code of Conduct in February 2004. This Code is applicable to all directors and employees and has an emphasis on upholding ethical standards and conducting business in accordance with relevant laws.

Supporting the Code of Conduct is the Company's range of documented policies. These policies are posted on the Company intranet, and reinforced by training programmes. In the interests of investor confidence the Company established, in September 2003, a specific policy regarding trading in Company securities by directors and staff, including the adoption of trading 'blackouts'.

Principle 4: Integrity in Financial Reporting
The Board is responsible for ensuring that management objectives and activities are aligned with the expectations and risks identified by the Board and that performance is diligently monitored. For that purpose the Board has established an internal control framework and practices that encompass the following:

- **Financial reporting.** There is a comprehensive budgeting system with an annual budget and strategic plan approved by directors. Monthly results are reported against budget and revised forecasts for the year are prepared and presented to the Board regularly. The CEO and CFO are also, henceforth, required to provide written undertakings to the Board that the published financial reports present a true and fair view and are in accordance with relevant accounting standards

- **Audit committee.** The Board of directors has appointed an audit committee comprising two non-executive directors, both of whom are independent.* The CEO, CFO and the external audit partner also attend meetings by invitation. The committee meets and reports to the Board on at least three occasions during the year. The Committee is guided by a Charter which identifies the principal responsibilities of the Audit Committee as follows:
    - Recommendations to the Board on the appointment, reappointment
    - or replacement and remuneration of the external auditor
    - Review and assessment of the independence of the external auditor
    - Review of the scope, processes and results of the external audit.
    - Monitoring the effectiveness and appropriateness of the accounting and internal control systems and reporting of the Company
    - Review of the half -year and full year financial statements and Appendices 4D and 4E prior to lodgement with ASX
    - Review of the adequacy and effectiveness of the Company' s risk management framework by gaining assurance that major risks have been identified and are appropriately managed
    - Review of the Company's compliance with the ASX Best Practice Corporate governance recommendations
    - Review of the Committees performance and Charter annually to ensure it is operating effectively.

  * See footnote to Principle 2 in relation to the Chairman's temporary executive role.

- **Business risks.** The Company adopts practices designed to identify significant areas of business risk and to effectively manage those risks. The framework of the practices was derived from the results of a comprehensive risk assessment study conducted in January 2003 by an independent party. This has resulted in the development of a risk management plan designed to avoid or mitigate the major risks identified in the study. This plan is periodically reviewed and updated and the Board is apprised of the outcome.

Principle 5: Timely and Balanced Disclosure
A continuous disclosure regime operates within the Company. The policy reflects the continuous disclosure requirements of the ASX Listing Rules and Corporations Act.

Policies and processes are in place to ensure that matters that a person could reasonably expect to have a material effect on the share price are announced in a timely manner. The Executive Management Committee is responsible as a team for reviewing potential disclosures and alerting the CEO on matters that should be disclosed.

The Board has designated specific Company spokespersons for specific topics to ensure public announcements are informed and consistent with the Australian regulatory disclosure regime. The Chairman must authorize ASX and press releases containing material financial information.

Principle 6: Respect for the Rights of Shareholders

As well as its statutory reporting obligations, the Company actively practices timely and ongoing shareholder communications. Company announcements, annual reports, notices of meetings, and financial results and other information useful to investors are posted on the Company's website as soon as practical after release to the ASX. The Chairman's addresses and the results of resolutions of meetings of shareholders are also placed on the Company's website.

At the Annual General Meeting the Chairman encourages questions and comment from shareholders and the agenda is so structured to give shareholders good opportunity to participate.

The external auditor attends the AGM and is available to answer shareholder questions about the conduct of the audit and the independent audit report.

Principle 7: Recognise and Manage Risk

The internal control framework designed to recognize and manage risk was summarised under Principle 4 dealing with safeguarding the integrity of financial reporting. Furthermore the written undertakings by CEO and CFO supporting published financial statements will also incorporate a confirmation that the financials are founded on a sound system of risk management and internal compliance and that the Company's risk management system is operating efficiently in all material respects.

Principle 8: Encourage Enhanced Performance

Intellect employs systematic processes to review the performance of senior management. These involve initial agreement on key performance indicators and position competency profiles. The performances of the managers are then subsequently assessed against their respective measures, at least on an annual basis.

The Chairman undertakes the assessment and monitoring of the performance of the CEO with the assistance of the Remuneration Committee. The results of the assessment are then presented to the Board for discussion and conclusion. The CEO also reports to Board on the outcome of the annual performance reviews of senior managers for information and discussion.

The Board initiated a review of its own performance in May 2003 with the objective of identifying processes and structural issues that could improve Board effectiveness. This review will henceforth be conducted on an annual basis.

Directors are encouraged to broaden their knowledge of the Company's business environment and keep abreast of current corporate governance issues through attendance at appropriate seminars and background reading. Directors also have unfettered access to Company records and a system is in place for directors to obtain external legal advice at the Company's expense when necessary.

Principle 9: Remunerate Fairly and Responsibly

The Remuneration Committee of the Board is responsible for reviewing remuneration policies including remuneration of senior management and directors for recommendation to Board. Remuneration is competitively set to attract qualified and experienced candidates. The Committee may obtain independent advice to obtain benchmarks in order to establish appropriateness of remuneration packages.

The Chief Executive Officer is invited to Committee meetings as required to discuss management performance and remuneration. Executive remuneration packages generally include a 'risk' component which is payable on achievement of pre set performance hurdles of the individual executive and the financial performance of the Company. The current remuneration for non-executive directors is set by resolution of shareholders at $300,000 per annum in aggregate. Within this limit, the Board determines directors' remuneration with advice from the Remuneration Committee. The Board also takes into account survey data on directors' fees paid by comparable companies.

Principle 10: Recognise the Legitimate Interests of Stakeholders
As well as its responsibility to shareholders, the Company recognizes its responsibilities to employees, partners and customers within the Intellect Code of Conduct.

This Code has been adopted by directors and employees alike to guide appropriate behaviours in fulfilling duties on behalf of the Company. The Code provides a process for employees to report breaches of the Code without fear of retribution.

I STATEMENTS OF FINANCIAL PERFORMANCE I
For the year ended 30 June 2004

		CONSOLIDATED		PARENT ENTITY	
	Notes	03/04 $'000	02/03 $'000	03/04 $'000	02/03 $'000
Revenue from ordinary activities	**2**	33,682	32,906	6,494	1,462
Changes in inventories of finished goods and work in progress		-6,319	6,275	0	0
Raw materials and consumables used		-19,155	-25,198	0	0
Employee benefits expense		-18,970	-11,621	-325	-144
Depreciation and amortisation expenses	3	-2,197	-17,183	0	0
Other charges against assets	3	-3,950	-538	-26,436	0
Borrowing costs expense	3	-1,674	-842	0	0
Other expenses from ordinary activities		-14,476	-10,484	-634	-1,186
Profit/(loss) from ordinary activities before income tax benefit/(expense)		-33,059	-26,685	-20,901	132
Income tax benefit/(expense)	4	-7,873	8,750	-755	234
Profit/(loss) from ordinary activities after income tax benefit/(expense)		-40,932	-17,935	-21,656,	366
Net exchange differences on translation of financial report of foreign controlled entity	17	- 715	135	0	0
Total revenues, expenses and valuation adjustments attributable to members of Intellect Holdings Limited recognized directly in equity		-715	135	0	0
Total changes in equity other than those resulting from transactions with owners as owners		-41,647	-17,800	-21,656	366
		Cents	Cents		
Basic earnings/(loss) per share	30	-15,71	-8,23		
Diluted earnings/(loss) per share	30	-15,71	-8,23		

The above statements of financial performance should be read in conjunction with the accompanying Notes.

I STATEMENTS OF FINANCIAL POSITION I
As at 30 June 2004

		CONSOLIDATED		PARENT ENTITY	
	Notes	03/04 $'000	02/03 $'000	03/04 $'000	02/03 $'000
Current assets					
Cash	5	1,384	1,402	8	9
Receivables	6	12,817	10,898	0	0
Inventories	7	12,911	17,856	0	0
Tax assets	8	0	5,407	0	0
Other	9	2,060	587	10	7
Total current assets		29,172	36,150	18	16
Non-current assets					
Receivables	6	80	29	428	1,198
Inventories	7	0	0	0	0
Investments	10	11	11	10,000	12,405
Property, plant and equipment	11	4,401	3,127	0	0
Deferred tax assets	8	0	3,141	0	756
Intangible assets	12	639	372	0	0
Other	9	224	220	0	0
Total non-current assets		5,355	6,900	10,428	14,359
Total assets		34,527	43,050	10,446	14,375
Current liabilities					
Payables	13	23,465	19,331	424	276
Interest bearing liabilities	14	19,118	13,222	0	0
Tax liabilities	16	0	74	0	0
Provisions	15	4,112	1,899	170	220
Other	16	3,076	2,192	0	0
Total current liabilities		49,771	36,718	594	496
Non-current liabilities					
Interest bearing liabilities	14	154	351	0	2,009
Provisions	15	451	0	0	0
Other	16	180	0	0	0
Total non-current liabilities		785	351	0	2,009
Total liabilities		50,556	37,069	594	2,505
Net assets/(Liabilities)		-16,029	5,981	9,852	11,870

Equity					
Contributed equity	17	59,388	39,750	59,388	39,750
Reserves	17	556	1,272	0	0
Retained profits/(losses)	17	-75,973	-35,041	-49,536	-27,880
Total parent entity interest		-16,029	5,981	9,852	11,870
Total equity/(Deficiency)		-16,029	5,981	9,852	11,870

The above statements of financial position should be read in conjunction with the accompanying Notes.

I STATEMENTS OF CASH FLOWS I
For the year ended 30 June 2004

	Notes	CONSOLIDATED 03/04 $'000	CONSOLIDATED 02/03 $'000	PARENT ENTITY 03/04 $'000	PARENT ENTITY 02/03 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		33,226	55,325	-3	0
Payment to suppliers and employees (inclusive of goods and services tax)		-53,334	-52,566	-856	-1,469
Interest received		50	14	0	0
Income taxes paid		0	0	0	0
Borrowing costs		-1,674	-842	0	0
Net cash inflow (outflow) from operating activities	22	- 21,732	1,931	-859	-1,469
Cash flows from investing activities					
Payments for property, plant and equipment		-1,291	-2,284	0	0
Payments for investments		-337	0	0	0
Payments for research and development costs		108	-10,471	0	0
Repayment of loans by related parties		0	0	6,506	1,463
Net cash inflow (outflow) from investing activities		-1,520	-12,755	6,506	1,463
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		17,544	0	17,544	0
Proceeds from borrowings		18,852	12,940	0	0
Loans Advanced		419	633	-23,176	0
Principal repayments under finance leases		-632	-173	0	0
Repayment of borrowings		-12,940	-4,378	0	0
Net cash inflow (outflow) from financing activities		23,243	9,022	-5,632	0
Net increase (decrease) in cash held		-9	-1,802	-1	6
Cash at the beginning of the financial year		1,402	3,252	9	3
Effects of exchange rate changes on cash		-9	-48	0	0
Cash at the end of the financial year	5	1,384	1,402	8	9

The above statements of cash flows should be read in conjunction with the accompanying Notes.

I NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS I
30 June 2004

I NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES I

The financial statements are a general purpose financial report prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in Note 1.28.

The accounting policies adopted in preparing the financial statements have been consistently applied by entities in the consolidated entity, except as otherwise indicated.

1.1 Basis of Preparation of the Financial Statements
The financial statements have been prepared on the basis of historical costs and, except where stated, do not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The carrying amounts of all non-current assets are reviewed at least annually by the Directors to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower value. Except where stated, recoverable amounts are not determined using discounted cash flows.

1.2 Principles of Consolidation
The consolidated financial statements comprise the financial statements of the Company, being the chief entity, and its controlled entities. Where a controlled entity has been acquired or sold during the year, its results are included in the consolidated results from/up to the date of acquisition or sale. All inter-entity balances and transactions have been eliminated in full in preparing the consolidated financial statements. Assets and liabilities of self-sustaining overseas controlled entities are translated at exchange rates existing at balance date and the exchange gain or loss arising on translation is carried directly to a foreign currency translation reserve. In respect of integrated overseas controlled entities, monetary items are translated at exchange rates current at balance date and non-monetary items are translated at exchange rates prevailing at the date these amounts were first recognized in the financial statements. Exchange gains or losses arising on translation are included in the profit and loss account.

1.3 Investments

The Company's and the consolidated entity's interests in listed and unlisted securities, other than controlled entities in the consolidated accounts, are brought to account at cost. Dividends are brought to account in the profit and loss account when receivable. Controlled entities are accounted for in the consolidated accounts as set out in Note 1.2.

1.4 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on first in first out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition.

1.5 Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. The amounts of the cash inflows/outflows are not discounted.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognized as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

1.6 Product Development and Project Cost

Development expenditure in relation to the generic development of products, is expensed in the period in which the cost is incurred. Development expenditure is not carried on the balance sheet as an intangible asset. This accounting principle has for the first time been applied in the financial statements as per 30 June 2003.

Costs incurred on developing products for customers (“deployment” projects) are accounted for under Work In Progress.

1.7 Work In Progress

Costs incurred on specific contracts for customers for the development and provision at customized payment solutions are deferred as work in progress and recognized as an expense as the contracts are delivered. Work in progress is valued at the lower of cost and Net Realizable Value.

1.8 Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation.

Profits and losses on the disposal of plant and equipment are taken into account in determining the results for the year.

1.9 Depreciation
Assets are depreciated at rates based upon their estimated useful economic lives using the straight line and/or diminishing value method.

The major depreciation periods are:

Plant and equipment	- 2 to 5 years.
Furniture, equipment and motor vehicles	- 2 to 5 years.
Leasehold improvements	- 2 to 4 years.

1.10 Leases
Assets of the consolidated entity, which are subject to finance leases, are capitalised. Finance leases effectively transfer from the lessor to the lessee all the risks and benefits incidental to ownership of the leased property. The initial amount of the leased asset and a corresponding lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of lease payments are charged against profits. Lease payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

1.11 Borrowing Costs
Loans and debentures are carried at their principal amount, which represent value of future cash flow associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

1.12 Patents, Licences and Copyrights
These costs are capitalised and amortised upon commencement of sales of the product to which they relate on a straight line basis over the period of their expected benefits.

Current amortisation is:

Patents and Licences	- 3 to 5 years
Copyright	- 5 years

1.13 Employee Benefits
Liabilities for employees' entitlements to wages and salaries, annual leave and other current employee entitlements are accrued at nominal amounts calculated on the basis of current wages and salary rates. Liabilities for other employee entitlements, which are not expected to be paid within twelve months of balance date, are accrued for in respect of all employees at the present value of future amounts expected to be paid.

1.14 Termination benefits
Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognized when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognized in other liabilities unless the amount or timing of the payments is uncertain, in which case they are recognized as provisions. Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled.

Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated future cash outflows, discounted where the effect of discounting is material.

1.15 Restructuring cost

Liabilities arising directly from undertaking a restructuring program, not in connection with the acquisition of an entity or operations, are recognized when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

1.16 Equity-based compensation benefits

Equity-based compensation benefits are provided to employees via Employee Share Option Plan. Information relating to these schemes is set out in note 31. No accounting entries are made in relation to the Employee Options until options are exercised, at which time the amounts receivable from employees are recognized in the statement of financial position as share capital. The market value of shares issued to employees for no cash consideration under the employee share scheme is recognized as a liability and as part of employee benefit costs when the employees become entitled to the shares. When the shares are issued, their market value is recognized in the statement of financial position as share capital.

1.17 Foreign Currencies

Foreign currency transactions are translated into Australian dollars at exchange rates ruling at the dates of the transactions. Amounts payable and receivable in foreign currency at balance date are converted to Australian dollars at exchange rates ruling at balance date.

Exchange differences arising from foreign currency transactions, other than on consolidation as noted in 1.2 above, are treated as operating revenue or expenses in the period in which they arise.

1.18 Income Tax

The consolidated entity adopts the liability method of accounting for income tax. Income tax expense is calculated on the operating profit adjusted for permanent differences between taxable income and accounting profits. Income tax on timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, are carried forward in the balance sheet as a future income tax benefit or a deferred tax liability at the rates which are expected to apply when those timing differences reverse. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. The future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain.

Intellect and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2002. The Australian Taxation Office has not yet been notified of this decision.

As a consequence, Intellect, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognized separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognized as a component of income tax expense (revenue).

1.19 Operating Revenue

Sales revenue represents revenue earned from the sale of the consolidated entity's products and services net of returns and duties and taxes paid. Other revenue includes interest income on short-term investments, government subsidies and grants, dividends received from other entities and, in the case of the Company, dividends and other distributions received from controlled entities.

1.20 Receivables and Revenue Recognition

Revenue from the sale of the consolidated entities electronic commerce products is recognized when the following criteria have been met:

a) the amount of revenue can be measured reliably;
b) it is probable that the economic benefits associated with the transaction will eventuate;
c) the costs incurred or to be incurred in respect of the transaction can be measured reliably;
d) the consolidated entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; and
e) revenue is recognized when the buyer takes title, provided that it is probable delivery will be made, the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized, the buyer specifically acknowledges the deferred delivery instructions, and the usual payment terms apply.

All trade debtors are recognized at the amount receivable as they are due for settlement no more than 60 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts, which are known to be uncollectible, are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

1.21 Trade and Other Creditors and Borrowings

Trade and other creditors represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. These amounts are unsecured and are usually paid within 90 days of recognition.

Loans are carried at their principal amounts and interest is accrued over the period it becomes due and is recorded as part of other creditors.

1.22 Net Fair Value of Financial Assets and Liabilities

The net fair values of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities are based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

For non-traded equity investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and by special circumstances pertaining to a particular investment.

1.23 Goodwill

Goodwill represents the excess of the cost of equity in controlled entities over the fair value of the net assets of the controlled entities at the dates of gaining control. Goodwill is amortised over the period of expected benefit but not exceeding twenty years.

1.24 Cash Flows

For the purpose of the statements of cash flows, cash includes cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdrafts.

1.25 Earnings per Share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the operating profit after income tax by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

1.26 Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

1.27 Going concern

The consolidated entity continues to implement its strategy and develop its expertise in the areas of electronic funds transfer, payment technology and value added services propositions. Notable since 30 June 2003 has been the achievement of certification for its new Presto product in many international markets allowing for breakthrough contracts in a number of substantial markets, including China, Brazil and South Africa, and the successful implementation of its TAFMO services business model. The strategy for the next financial year focuses on consolidation on existing customers and customer leads rather than breaking new ground.

During the period ended 30 June 2004 the consolidated entity incurred an operating loss. This was due primarily to a shortfall in anticipated revenues from certain new customers (due to certification delays and timing issues of new products and services in the financial year) and substantial operating cash outflow. As at 30 June 2004 the Group had net current liabilities and therefore a deficiency in working capital. To remedy the situation Intellect restructured significantly, reducing its operating expenses by some 40 % in order to align the level of operating expenses to next year's business expectations. Furthermore, the sale of the TAFMO value added business has provided some additional financing to the Group in September 2004.

In the short term the continuing viability of the consolidated entity and its ability to continue as a going concern and meet its debts and commitments as and when they fall due remains critically dependent upon the ability to generate revenues and cash flows in the new markets, achieve delivery schedules, work within available bank facilities and undertake additional financing activities. In relation to the current banking facilities, the main bankers have not indicated to the Directors an intention to withdraw their continued support, in order to allow the Directors to progress in the undertaking of additional financing activities. Accordingly the future cash flows of the consolidated entity depend on future events which involve risks and uncertainties.

As a result of these matters, there is significant uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realize its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the year-end financial report. The Directors have carefully reviewed the cash flow forecast and financing alternatives available to the Group and believe that the consolidated entity will be successful in the above matters and, accordingly, have prepared the year-end financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realized for an amount less than the amount at which it is recorded in the year-end financial report at 30 June 2004. Accordingly, no adjustments have been made to the year-end financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

1.28 International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The consolidated entity is finalizing the diagnostics phase on the transition to Australian equivalents to IFRS, including assessment of system and internal control changes necessary to gather all the required financial information. To date the project team has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. The impact on the system is assessed relatively limited. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following (references to new AASB standards below are to the Australian equivalents to IFRS issued in July 2004):

1.28.1 Intangible assets - Goodwill

Under the new AASB 3 Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing
focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

1.28.2 Intangible assets – Research & development

An intangible asset shall be recognized arising from development phase, where it is demonstrated that :

- the development is technically feasible;
- the entity intends to use or sell the results;
- it will generate probable future economic benefits;
- adequate technical & financial resources are available to complete it; and
- the development expenditure can be reliably measured.

The carrying value of intangible assets with limited useful life, is to be assessed against impairment indicators or "triggers" at each reporting period.. In applying impairment testing, the specifically identifiable cash flows need to be identified to allow for impairment testing on an asset's individual basis. Where there is no trigger, impairment testing will not need to be performed

This will result in a change to the current accounting policy, under which development expenditure is not carried as an intangible asset at the consolidated entity's balance sheet, but charged directly to the profit & loss account in the year of expense.

1.28.3 Income tax

Under the new AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognized directly in equity are also recognized directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognized directly in equity.

1.28.4 Equity-based compensation benefits

Under the new AASB 2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

1.28.5 *Financial instruments*
Under the new AASB 139 Financial Instruments: Recognition and Measurement, there may be changes as a result of financial assets held by the consolidated entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost.

The most likely accounting change is that investments in equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognized directly in equity until the underlying asset is derecognised

This will result in a change to the current accounting policy which was adopted with effect from 1 July 2003, under which investment properties are revalued to fair value and changes in fair value are recognized in the asset revaluation reserve.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been analyzed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

I NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS I
30 June 2004

I NOTE 2: REVENUE I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Revenue from operating activities				
Product Sales	27,713	26,913	0	0
Total Sales of goods	27,713	26,913	0	0
Maintenance Contracts & Repairs	5,848	5,587	0	0
Development Income	342	254	0	0
Total Services	6,190	5,841	0	0
	33,903	32,754	0	0
Revenue from outside the operating activities				
Interest Income	50	14	1	0
Foreign exchange gains (net)	-530	-112	0	0
Gain on debt forgiveness	0	84	0	0
Release of provision for doubtful loan to controlled entities	0	0	6,493	1,462
Other Income	259	166	0	0
	-221	152	6,494	1,462
Total revenue from ordinary activities	33,682	32,906	6,494	1,462

I NOTE 3: OPERATING PROFIT/(LOSS) I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
(a) Net gains and expenses				
Profit/(loss) from ordinary activities before income tax expense				
Includes the following specific net gains and (expenses):				
Net gains				
Release of provision against receivable on affiliated entities	0	0	6,493	1,462
Expenses				
Cost of sales of goods	-19,155	-25,198	0	0
Depreciation				
Plant and machinery	-1,465	-880	0	0
Fixtures and fittings, motor vehicles	-21	-34	0	0
Total depreciation	-1,486	-914	0	0
Amortisation				
Leasehold improvements	-58	-30	0	0
Plant & Equipment under Finance lease	-289	-130		
Office equipment under finance lease	- 282	-45	0	0
Research and Development	0	-15,970	0	0
Goodwill	-70	-70	0	0
Patents and trademarks and deferred costs	-12	-24	0	0
Total amortisation	-711	-16,269	0	0
Other charges against assets				
Write down of inventories to net realisable value	-812	-538	0	0
Provision for diminution of investment	0	0	26,436	0
Bad debts written off - trade debtors	0	0	0	0
Doubtful debts - trade debtors	-3,138	0	0	0
Total other	-3,950	-538	26,436	0
Borrowing costs				
Interest Paid & Payable	-1,674	-842	1	0
Less amount capitalised	0	0	0	0
Borrowing costs expensed	-1,674	-842	1	0
Net foreign exchange gain/(loss)	-530	-112	1	0

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Net loss on disposal of property, plant and equipment	-530	-112	1	0
Other provisions				
Employee entitlements	-1,476	-247	0	0
Rental expense relating to operating leases				
Operating lease expenses	-2,573	-1,412	0	-200

I NOTE 4: INCOME TAX I

	CONSOLIDATED		PARENT ENTITY	
	03/04 $'000	02/03 $'000	03/04 $'000	02/03 $'000
Profit/(loss) from ordinary activities before income tax expense	**-33,059**	**-26,685**	**-20,901**	**132**
Income tax calculated @ 30%	-9,918	-8,006	-6,270	40
Tax effect of permanent differences:				
Non-deductible expenditure	343	149	7,930	0
Reversal of non taxable provision	0	-613	-1,963	-439
Accelerated research and development allowance	0	599	0	0
Not taxable translation adjustment arising on consolidation	47	70	0	0
Income tax adjusted for permanent differences	**-9,528**	**-7,801**	**-303**	**-399**
Benefit of tax losses of prior years recouped	0	0	0	0
Future income tax benefit/(expense) not brought to account	10,103	492	0	0
Effect of differing tax rates on overseas income	-765	-911	0	0
Under (over) provision in prior years	0	-530	0	165
Net adjustment to deferred income tax liabilities and assets	8,063	0	-1,058	0
Aggregate income tax expense/(credit)	**7,873**	**-8,750**	**755**	**-234**

Aggregate income tax expense/ (credit) comprises				
Current taxation provision	0	0	0	0
Deferred income tax provision	0	0	0	0
Future income tax benefit	7,873	-8,220	-303	-399
Under (over) provision in prior year	0	-530	0	165
Total	**7,873**	**-8,750**	**-303**	**-234**

The tax losses of the consolidated entity not brought to account for the period have been estimated at some $ 31 million. The accumulated tax losses of the consolidated entity are in excess of $ 50 million.

No Future income tax benefits have been brought to account, since the criteria under AASB 1020 on "virtual certainty" have not been met.

Tax consolidation legislation
Intellect Holdings Limited and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2002. The Australian Taxation Office has not yet been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1.18.

The wholly-owned entities have not yet compensated Intellect Holdings Limited for deferred tax liabilities assumed by Intellect Holdings Limited on the date of the implementation of the legislation and have not been compensated for any deferred tax assets transferred to Intellect Holdings Limited.

I NOTE 5: CASH I

	CONSOLIDATED		PARENT ENTITY	
	03/04 $'000	02/03 $'000	03/04 $'000	02/03 $'000
Cash at bank	1,384	1,402	8	9
	1,384	**1,402**	**8**	**9**

Note:
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows.

Balances as above	1,384	1,402	8	9
Bank overdrafts (Note 14)	0	0	0	0
Balances per statement of cash flows	1,384	1,402	8	9

During the period Intellect Touch Pty Ltd entered into a fixed and floating charge arrangement with Seafirst Pty Ltd which restricted the use of $200,000 which is held as a guarantee to Seafirst Pty Ltd.

The cash balance contains funds collected on behalf of AEMS Pty Ltd to the sum of $88,000

I NOTE 6: RECEIVABLES I

	CONSOLIDATED		PARENT ENTITY	
	03/04 $'000	02/03 $'000	03/04 $'000	02/03 $'000
Current				
Trade Debtors	15,409	10,112	0	0
Less: Provision for doubtful debts	-4,860	-1,593	0	0
Other debtors	2,268	2,379	0	0
Total current receivables	**12,817**	**10,898**	**0**	**0**
Non-current				
Loans Receivable	0	0	0	0
Loans to controlled entities	0	0	4,777	17,889
Less: Provision for doubtful loans	0	0	-4,349	-16,691
Other debtors	80	29	0	0
Total non-current receivables	**80**	**29**	**428**	**1,198**

Intellect suffered from 2 substantial uncollected customer receivables. Although legal actions are being taken to recover bad payments, a provision for doubtful debts has been recorded for an amount of $3.3 million.

Current receivables, other debtors, includes an amount of $1,628,000 relating to legal disputes. Included within these receivables is $665,000 relating to moneys held in escrow which will not be released to the Company until this dispute is settled.

I NOTE 7: INVENTORIES I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Current				
Raw materials and spare parts - at cost	3,837	3,408	0	0
Deduct provision for obsolescence	-1,619	-884	0	0
	2,218	2,524	0	0
Work in progress - at cost	2,430	5,803	0	0
Deduct provision for obsolescence	0	0	0	0
	2,430	5,803	0	0
Finished goods - at cost	10,669	12,572	0	0
Deduct provision for obsolescence	-2,548	-3,043	0	0
	8,121	9,529	0	0
Inventories in transit - at cost	142	0	0	0
Deduct provision for obsolescence	0	0	0	0
	142	0	0	0
Total current inventories at net realisable value	**12,911**	**17,856**	**0**	**0**

Inventories decreased from $17.8 million to $12.9 million as a result of: 1) a reassessment with regard to change in work in progress (refer notes 12 and 2) Exceptionally high level of finished goods as per 30th of June 2003, as a result of delayed deliveries (SARS, customer timing issues).

I NOTE 8: DEFERRED TAX ASSETS I

The balance comprises temporary differences attributable to:

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Current				
Tax losses	0	5,136	0	0
Amortisation of intellectual property	0	271	0	0
Tax assets	**0**	**5,407**	**0**	**0**
Non-current				
Tax losses	0	937	0	690
Amortisation of intellectual property	0	0	0	0
Other temporary differences	0	2,204	0	66
Future income tax benefit	**0**	**3,141**	**0**	**756**

Note: A significant tax expense is the result of a decision taken by Intellect's board to fully write down the Company's cumulative Deferred Tax Assets, in accordance with Accounting Standard AASB 1020. This write down was included in the half year results to 31 December 2003.

I NOTE 9: OTHER ASSETS I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Current				
Prepayments	1,715	407	0	0
Other	345	180	10	7
Total current other	**2,060**	**587**	**10**	**7**
Non-current				
Prepayments	0	0	0	0
Other	224	220	0	0
Total non-current other	**224**	**220**	**0**	**0**

I NOTE 10: INVESTMENTS I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Other (non-traded) investments				
Shares in controlled entities - at cost	0	0	48,859	24,828
Shares in other corporations - at cost	11	11	0	0
Provision for diminution of investment - controlled entities	0	0	-38,859	-12,423
Total investments	**11**	**11**	**10,000**	**12,405**

The provision for diminution of investment in controlled entities has increased to align the carrying amount of investments to the net-assets value of Intellect International N.V. as per 30 June 2004, amounting to $ 10 million. Intellect International N.V. is the principal subsidiary of Intellect Holdings Ltd.

Note : For further information on the level of interest held in each controlled entity refer to Note 29.

I NOTE 11: PROPERTY PLANT & EQUIPMENT I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Plant & Equipment (at cost)	7,717	8,196	0	0
Deduct accumulated depreciation	-4,380	-6,980	0	0
	3,337	1,216	0	0
Furniture & Fittings, Motor Vehicles (at cost)	961	2,575	0	0
Deduct accumulated depreciation	-896	-2258	0	0
	65	317	0	0
Office Equipment under finance lease	938	951	0	0
Deduct accumulated amortisation	-514	-310	0	0
	424	641	0	0
Leasehold Improvements (at cost)	1,232	1,250	0	0
Deduct accumulated depreciation	-657	-297	0	0
	575	953	0	0
Total	**4,401**	**3,127**	**0**	**0**

Reconciliations:

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below.

	Plant & Equipment $'000	Furniture & Fittings, Motor Vehicles $'000	Office equipment under finance lease $'000	Leasehold Improvements $'000	Total $'000
Carrying amount at start of year	1,216	317	641	953	3,127
Additions / (disposals)	3,630	-229	382	-286	3,497
Depreciation/amortisation expense	-1,465	-21	-571	-58	-2,115
Foreign currency exchange differences	-44	-2	-28	-34	-108
Carrying amount at end of year	3,337	65	424	575	4,401

I NOTE 12: INTANGIBLES I

	CONSOLIDATED		PARENT ENTITY	
	03/04 $'000	02/03 $'000	03/04 $'000	02/03 $'000
Goodwill	1,391	1,391	0	0
Deduct accumulated amortisation	-1,089	-1,019	0	0
	302	372	0	0
Intellectual property acquired	350	0	0	0
Deducted accumulated amortization	-13	0	0	0
	337	0	0	0
Total Intangibles	**639**	**372**	**0**	**0**

I NOTE 13: ACCOUNTS PAYABLE I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Trade Creditors	18,531	16,547	424	276
Other Creditors	4,934	2,784	0	0
Total current accounts payable	**23,465**	**19,331**	**424**	**276**

I NOTE 14: INTEREST BEARING LIABILITIES I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Current				
Bank Loans – secured	13,308	12,940	0	0
Term Loans	5,545	0	0	0
Other	265	282	0	0
Total current external interest bearing liabilities	**19,118**	**13,222**	**0**	**0**
Non-Current				
Other	154	351	0	0
Intercompany loan	0	0	0	2,009
Total non-current external interest bearing liabilities	**154**	**351**	**0**	**2,009**

Note:
The bank loans of $8,691,000 granted by the ABN-AMRO Bank and $4,346,000 granted by the ING Bank to Intellect International NV is a rolling facility at a floating rate. In order to obtain these facilities Intellect Holdings Limited has provided a guarantee to the ABN-AMRO Bank for an amount of $ 8,691,000 and to the ING Bank for an amount of $4,346,000. The period of the facility is currently under negotiation with the relevant banks. Furthermore a pledge on the commercial activities is given by Intellect International NV amounting to $8,691,000 and $4,346,000.

During the period Intellect Touch Pty Ltd entered into a commercial loan agreement with Sabatica Pty Ltd to borrow $5,000,000 at a variable rate equivalent to the average day bank bill rate plus three percent to be repaid before the 30 September 2004. Also Intellect Touch Pty Ltd entered into another agreement to borrow further funds as required as a drawdown facility with Sabatica Pty Ltd at a variable rate equivalent to the average day bank bill rate plus three percent to be repaid before the 30 September 2004. In return Sabatica Pty Ltd took a fixed and floating charge over the assets of Intellect Touch Pty Ltd.

I NOTE 15: PROVISIONS I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Current				
Employee entitlements (refer note 21)	3,738	1,679	0	0
Other Provisions	374	220	170	220
Total current provisions	**4,112**	**1,899**	**170**	**220**
Non-current				
Employee entitlements (refer note 21)	34	0	0	0
Surplus leased space	417	0	0	0
Total Non-current provisions	**451**	**0**	**0**	**0**

Provisions considerably increased as a consequence of the group restructuring program initiated in April 2004 and largely implemented as per 30 June 2004.

Employee entitlements increased as a result of the restructuring and includes accrued termination benefits for an amount of $2.2million. A provision for surplus leased space has been recorded for an amount of $0.4 million.

Movement in provision

Movement in "Other Provisions" during the period are set out below:

Consolidated – 2004	**Other**
Current	**$'000**
Carrying amount at start of year	220
Additional provision recognized	374
Payments/ other sacrifices of economic benefits	-220
Carrying amount at end of year	**374**
Parent entity - 2004	**Other**
Current	**$'000**
Carrying amount at start of year	220
Additional provision recognized	170
Payments/ other sacrifices of economic benefits	-220
Carrying amount at end of year	**170**

I NOTE 16: OTHER LIABILITIES I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Current				
Tax liabilities	0	74	0	0
Deferred and accrued income	525	0	0	0
Other	2,551	2,192	0	0
Total other current liabilities	**3,076**	**2,266**	**0**	**0**
Non-current				
Other	180	0	0	0
Total Non-current liabilities	**180**	**0**	**0**	**0**

I NOTE 17: SHARE CAPITAL AND RESERVES I

			CONSOLIDATED		PARENT ENTITY	
			03/04	02/03	03/04	02/03
			$000's	$000's	$000's	$000's
	I Share Capital I					
	Authorised					
	1,000,000,000 Ordinary Shares					
	Issued and paid up capital:					
	Ordinary Shares		59,388	39,750	59,388	39,750
	Total Paid Up Capital		**59,388**	**39,750**	**59,388**	**39,750**
			Number '000's	Number '000's	Number '000's	Number '000's
	Number of Shares		**278,265**	**217,947**	**278,265**	**217,947**
	Movements in issued and paid up capital		**$000's**	**$000's**	**$000's**	**$000's**
	Shares of the Company for the year ended 30 June 2004 are as follows:					
	Balance at beginning of year	**Notes**	**39,750**	**39,750**	**39,750**	**39,750**
28 July 2003	17,942,500 shares allotted to Sabatica Pty Ltd @ $0.25	(a)	4,486	0	4,486	0
28 August 2003	14,735,500 shares allotted to Sabatica Pty Ltd @ $0.25	(b)	3,684		3,684	
28 November 2003	22,250,000 shares allotted to Institutes @ $0.45	(c)	10,013	0	10,013	0
31 May 2004	5,389,831 shares allotted to Touchcorp Ltd for the purchase of assets @ $0.27	(d)	1,455	0	1,455	0
	Balance at end of year		**59,388**	**39,750**	**59,388**	**39,750**

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Reserves :				
Foreign Currency Translation Reserve	557	1,272	0	0
FCTR:				
Balance at beginning of year	1,272	1,137	0	0
Net exchange difference on translation of overseas controlled entities for the year	-715	135	0	0
Balance at end of year	557	1,272	0	0

Retained Profits/(Losses)				
Balance at beginning of year	-35,041	-17,106	-27,880	-28,246
Profit / (loss)	-40,932	-17,935	4,780	366
Balance at end of year	**-75,973**	**-35,041**	**-23,100**	**-27,880**

Notes

(a) On the 28 July 2003 the company invited Sabatica Pty Ltd, a subsidiary of Guinness Peat Group plc to subscribe for 17,942,500 shares at an issue price of $0.25.

(b) On the 28 August 2003 the company invited Sabatica Pty Ltd, a subsidiary of Guinness Peat Group plc to subscribe for 14,735,500 shares at an issue price of $0.25.

(c) On the 28 November 2003 the company invited Institutions to subscribe for 22,250,000 shares at an issue price of $0.45.

(d) On the 31 May 2004 the company allotted 5,389,831 shares to Touchcorp Ltd to complete the purchase of assets owned by Touchcorp Ltd and its subsidiaries.

Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.
On a show of hands every holder of ordinary shares presents at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Options

Information relating to the Intellect Holdings Employee Option Plan, including details of options issued, exercise and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 31.

I NOTE 18: LEASE COMMITMENTS I

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Operating leases: Lease commitments contracted for at balance date but not provided for in the financial statements.				
Payable no later than one year	2,155	2,054	0	0
Payable later than one, not later than 2 years	1,996	1,745	0	0
Payable later than 2, not later than 5 years	7,532	9,313	0	0
Total	**11,683**	**13,112**	**0**	**0**
Finance leases: Commitments in relation to finance leases are payable as follows. .				
Payable no later than one year	266	282	0	0
Payable later than one, not later than 2 years	140	240	0	0
Payable later than 2, not later than 5 years	13	111	**0**	**0**
Total	**419**	**633**	**0**	**0**

Note: Operational leases are related to rental of cars and building. The increase in commitments is the result of the entity entering into new leases, including a nine year lease for office premises.

I NOTE 19: AUDITOR'S REMUNERATION I

	Consolidated		Parent entity	
	03/04 $	02/03 $	03/04 $	02/03 $
During the year the auditor of the parent entity and its related practices earned the following remuneration:				
PricewaterhouseCoopers – Australian firm				
Audit or review of financial reports of the entity or any entity in the consolidated entity	198,359	157,000	198,359	157,000
Other audit-related work	0	34,900	0	34,900
Other assurance services	0	0	0	0
Total audit and other assurance services	198,359	191,900	198,359	191,000
Advisory services	0	0	0	0
Taxation	81,762	248,805	81,762	248,805
Consulting	0	0	0	0
Total remuneration	280,121	440,705	280,121	440,705
Related practices of PricewaterhouseCoopers Australian firm (including overseas PricewaterhouseCoopers firms)				
Audit or review of the financial reports of the entity or any entity in the consolidated entity	235,623	232,229	0	0
Other audit-related work	0	0	0	0
Other assurance services	0	0	0	0
Total audit and other assurance services	235,623	232,229	0	0
PricewaterhouseCoopers Legal	0	0	0	0
Advisory services	0	0	0	0
Taxation	125,482	240,158	0	0
Consulting	0	0	0	0
Total remuneration	361,105	472,387	0	0

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice, or where PricewaterhouseCoopers is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

I NOTE 20: CONTINGENT LIABILITIES I

During the period Intellect Australia Pty Ltd completed the sale of its customer service & repair business to Australian Electronic Manufacturing Services Pty Ltd ("AEMS"), for an amount of $900,000. The proceeds of this sale have been fully recognized in the period ending as per 30th June 2004. The contracts guarantees an aggregate $8.4 million minimum revenue to AEMS over the next 4 years period, $2.1 million in each individual year. Intellect Australia Pty Ltd is committed to pay 25% of any shortfall of revenue. The board of directors have assessed this obligation and have concluded that there is no indication of material risk arising from this obligation as per 30 June 2004 closing of accounts. As a consequence, no provision for onerous contracts under AASB 1044 has been recorded.

A former customer has brought a legal claim against Intellect Australia Pty Ltd before the Supreme Court of Queensland. The claim has been quantified at $6.2 million, of which $ 6.1 million relates to the damage under the alleged failure of their business case. The customer claims that delays and faults in the products delivered, resulted in breach of contract and as a consequence caused failure of their business venture. Intellect has filed counter claim. The board of directors have assessed the risk in relation to this claim as remote and as such only a provision for legal fees of $ 50,000 has been recorded in the financial statements per 30 June 2004.

I NOTE 21: EMPLOYEE ENTITLEMENTS I

	CONSOLIDATED		PARENT ENTITY	
	03/04 $'000	02/03 $'000	03/04 $'000	02/03 $'000
Employee entitlement liabilities				
Provision for employee entitlements				
Current and total (Note 15)	3,772	1,679	0	0
	03/04 Number	02/03 Number	03/04 Number	02/03 Number
Employee numbers				
Average number of employees during the financial year	121	142	0	0

I NOTE 22: CASH FLOW INFORMATIONI

	CONSOLIDATED		PARENT ENTITY	
	03/04 $'000	02/03 $'000	03/04 $'000	02/03 $'000
Reconciliation of net cash flows from operating activities to operating profit/(loss) after income tax				
Operating profit/(loss) after income tax	-40,932	-17,935	4,780	366
Depreciation and amortisation	2,197	17,183	0	0
Provision for non recovery of loans and diminution of investments	0	0	-6,492	-1,752
Write back of creditors	0	0	0	0
Decrease/(increase) in deferred tax asset	8,548	-8,979	755	0
Decrease/(increase) in trade and other debtors	-5,237	17,478	-3	0
Decrease/(increase) in doubtful debts	3,267	-86	0	0
Decrease/(increase) in inventories	4,945	-5,908	0	0
Decrease/(increase) in other assets	-1,477	-360	0	0
Increase/(decrease) in trade and other creditors and employee entitlements	7,410	365	148	122
Increase/(decrease) in other liabilities	451	0	-50	30
Decrease/(increase) in net deferred tax assets	0	0	0	-234
Increase/(decrease) in deferred and non- deferred tax liabilities	-74	-185	0	0
Unrealised foreign currency gains/(losses)	-830	358	0	0
Net cash flows from operating activities	-21,732	1,931	-859	-1,469

I NOTE 23: REMUNERATION OF DIRECTORS AND EXECUTIVESI

I DIRECTORS I

The following persons were Directors of Intellect Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Chairman
Dr. J.E. Haag

Executive Directors
Mr. J.A.C. de Smet - Managing Director (resigned 26 May 2004)
Mr. F. De Vrieze - Marketing Director (resigned 5 September 2003)

Non-Executive Directors
Mr. C. De Smet (appointed 5 September 2003)
Mr. G.K. Henderson (appointed 6 August 2004)
Mr. M. Jefferies (appointed 13 October 2004, resigned 13 July 2004)
Mr. R.W. Leighton (resigned 13 October 2003)
Mr. D.A. Taylor (resigned 12 August 2004)

Remuneration of directors
Directors' remuneration packages are determined by the Board on recommendation from the Remuneration and Nominations Committee.

Director's fees are reviewed biennially, with reference to published surveys on Australian directors' remuneration, and benchmarked against fees paid by companies of similar size.

Performance-related bonuses and share options are also considered part of the remuneration packages to recognise outstanding individual corporate performance.

In view of the corporate results, no new executive options were granted during 2004 financial year.

Details of the nature and amount of each element of the emoluments of each Director of Intellect Holdings Ltd. and the five Officers of the Company and the consolidated entity receiving the highest emoluments during the financial year are set out in the following tables.

Non-Executive Directors of Intellect Holdings Ltd.

2004

		Primary			Post-employment		Equity	
Name	Base Fee	Motor Vehicle	Bonus	Other Benefits	Super-annuation	Retirement	Options Benefits	Total
	$	$	$	$	$	$	$	$
Mr. C. De Smet	40,090	-	-	-	-	-	-	40,090
Dr. J.E. Haag	65,000	-	-	-	-	-	-	65,000
Mr. M. Jefferies	44,667							44,667
Mr. R.W. Leighton	13,333	-	-	-	-	-	-	13,333
Mr. D.A. Taylor	79,117	-	-	-	6,700	-	-	85,817
Total	**242,207**	**-**	**-**	**-**	**6,700**	**-**	**-**	**248,907**

Note: In addition to Director's Fees , Mr. D.A. Taylor received a fee of $30,000 for fulfilling the duties of company secretary.

2003

		Primary			Post-employment		Equity	
Name	Base Fee	Motor Vehicle	Bonus	Other Benefits	Super-annuation	Retirement	Options Benefits	Total
	$	$	$	$	$	$	$	$
Total	**63,384**	**-**	**-**	**-**	**3,591**	**-**	**-**	**66,975**

Executive Directors of Intellect Holdings Ltd.

2004

		Primary			Post-employment		Equity	
Name	Base Fee	Motor Vehicle	Bonus	Other Benefits	Super-annuation	Retirement	Options Benefits	Total
	$	$	$	$	$	$	$	$
Mr. F. De Vrieze	268,632	36,768	-	19,540	30,431	520,546	-	875,917
Mr. J.A.C. de Smet	315,539	35,828	-	29,675	-	130,610	-	511,652
Dr. J.E. Haag	58,942	-	-	-	-	-	-	58,942
Total	**643,113**	**72,596**	**-**	**49,215**	**30,431**	**651,156**		**1,446,511**

The retirement benefits represent the accrued benefit as per 30 June 2004 and consist of the aggregate amounts for the period as from 1 July 2004, in accordance with the termination conditions being 18 months for Mr. De Vrieze and 6 months for Mr. de Smet.

Dr. J.E. Haag assumed the role of executive director of Intellect Holdings Ltd as from April 2004 onwards, in transition to the resignation of Mr. de Smet whose resignation became effective on 26 May 2004. The remuneration the executive-director position of Dr. J.E. Haag has been determined in a service contract at a fixed daily rate of $ 2,780 /day.

2003

Name	Primary				Post-employment		Equity	Total
	Base Fee	Motor Vehicle	Bonus	Other Benefits	Super-annuation	Retirement	Options Benefits	
	$	$	$	$	$	$	$	$
Total	**495,888**	**48,344**	**-**	**29,551**	**31,151**	**14,106**	**-**	**619,040**

I NOTE 24: EXECUTIVES (OTHER THAN DIRECTORS) WITH THE GREATEST AUTHORITYI

Executives (other than directors) with the greatest authority for strategic direction and management

The following persons are the executives with the greatest authority for strategic direction and management of the consolidated entity during the financial year.

Name	Position	Employer
Mr. W. Brinkman	Chief Marketing Officer	Intellect International NV
Mr. R. Schmid	General Manager - Hong Kong	Intellect Asia
Mr. R. Boonstra	Chief Operations Officer	Intellect International NV
Mr. S. Joris	Chief Finance Officer	Intellect International NV
Mr. G. Henderson	General Manager - Australia	Intellect Australia Pty Ltd
Mr P. Course	TAFMO Division Manager	Intellect Australia Pty Ltd

All of the above persons were also executives during the year ended 30 June 2003, except for Mr S. Joris who commenced employment with the group on 1 October 2003

Remuneration of executives

Executives' remuneration packages are determined by the Board on recommendation from the Remuneration and Nominations Committee.
Executive remuneration packages are established at industry related levels. Executive salary reviews thereafter are undertaken on the basis of individual achievement versus pre-determined Key Performance Indicators (KPIs).

Performance-related bonuses and share options are also considered part of the remuneration packages to recognise outstanding individual corporate performance.

In view of the corporate results, no new executive options were granted during 2004 financial year.

2004

Name	Primary Base Fee $	Motor Vehicle $	Bonus $	Other Benefits $	Post-employment Super-annuation $	Retirement $	Equity Options Benefits $	Total $
Mr. W. Brinkman (*) Chief Marketing Officer Belgium	260,000	18,265		148,258	23,400	-	22,643	472,566
Mr. R. Schmid (*) General Manager Hong Kong	182,304	-	-	106,410	12,600	128,028	-	429,342
Mr. R. Boonstra Chief Operations Officer Belgium	180,688	17,140	-	11,169	-	8,567	-	217,564
Mr. S. Joris Chief Finance Officer Belgium	174,000	15,163	-	12,333	-	7,722	-	209,218
Mr. G. Henderson General Manager Australia	180,000	-	-	-	16,200	-	-	196,200
Mr P. Course (*) TAFMO Division Manager Belgium	162,872	16,274	88,458	49,315	22,619	-	10,927	350,465
Total	**1,139,864**	**66,842**	**88,458**	**327,485**	**74,819**	**144,317**	**33,570**	**1,875,355**

Note : Employer on-costs such as payroll tax / social security charges are not included in the above remunerations since not considered a direct benefit to the employee.

*The options have been valued using the Black-Scholes option valuation methodology as at the grant date adjusted for the probability of performance hurdles being achieved if any. The amounts disclosed in remuneration have been determined by allocating the value of the options evenly over the period from grant date to vesting date or if vesting immediately in the year of granting in accordance with ASIC guidelines. The assumptions used in the calculations are the Historical Share Price Volatility which over the last 12 month is 119.0% and the Risk Free Rate which is 5.40%.

(*) The cooperative aggregate amount for the 3 executives disclosed in the least years annual report (see *) are as follows :

2003

Name	Primary				Post-employment		Equity	
	Base Fee	Motor Vehicle	Bonus	Other Benefits	Super-annuation	Retirement	Options Benefits	Total
	$	$	$	$	$	$	$	$
Total	595,788	16,588	90,000	198,507	52,432	9,767	79,505	1,042,587

Employment agreements
Remuneration and main other terms of employment are formalised in employment agreements. Major provision of the agreements are set out below :

Mr. W. Brinkman Chief Marketing Officer
Term of agreement – indefinite
Salary – $ 260,000
Payment on termination -6 month at base salary inclusive of superannuation

Mr. R. Schmid General Manager - Hong Kong
Term of agreement – indefinite
Salary – $ 182,304
Payment on termination – 6 month at base salary inclusive of superannuation

Mr. R. Boonstra Chief Operations Officer
Term of agreement – indefinite
Salary – $ 180,688
Payment on termination – legal minimum requirement: 3 months salary per 5 years service

Mr. S. Joris Chief Finance Officer
Term of agreement – indefinite
Salary – $ 174,000
Payment on termination - legal minimum requirement: 3 months salary per 5 years service

Mr. G. Henderson General Manager - Australia
Term of agreement – indefinite
Salary – $196,200 inclusive of superannuation review annually
Payment on termination – 6 month at base salary inclusive of superannuation

Mr P. Course TAFMO Division Manager
Term of agreement – indefinite
Salary – $185,500 inclusive of superannuation review annually
Payment on termination - 3 month of base salary inclusive of superannuation

Share-based compensation - options

During or since the end of the financial year the Company has not granted any options.

Option Holding

Executive of the consolidated entity
I Options outstanding as at date of this report 15 September 2004 I

Number of options outstanding	Date of Grant	Exercise Price	Date of Expiry
250,000	8 August 2002	$0.38	8 August 2007
500,000	1 September 2002	$0.36	1 September 2007
750,000			

During or since the end of the financial year the Company has not granted any options.

Other transactions with directors and executives

It should be noted that Mr. M. Jefferies is a director Sabatica Pty Ltd. The total amount of interest paid and or accrued for as per 30 June 2004 in relation to the commercial loans obtained from Sabatica Pty Ltd. (see Note 14 and Note 26) amounts to $ 95,041.

During or since the end of the financial year the Company has not had any other transactions with directors or executives.

I NOTE 25: SUPERANNUATION I

The Intellect employees are entitled to benefits on retirement, disability or death. These benefits are defined contributions benefits based on contributions made by the Group to private, public and insurance funds.

I NOTE 26: STANDBY ARRANGEMENTS, CREDIT FACILITIES AND SECURITIESI

	CONSOLIDATED		PARENT ENTITY	
	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000
Bank Overdraft and Loans				
Overdraft	0	0	0	0
Loan facility (a)	13,308	12,940	0	0
Used at 30 June	13,308	12,940	0	0
Other loans	5,545	0	0	0
Total	**18,853**	**12,940**	**0**	**0**

Note: The facilities of $8,691,000 granted by the ABN-AMRO Bank and $4,346,000 granted by the ING Bank to Intellect International NV can be used on the money-market at the current rate. In order to obtain these facilities Intellect Holdings Limited has given its guarantee to the ABN-AMRO Bank for an amount of $ 8,691,000 and to the ING Bank for an amount of $4,346,000. The period of the facility is currently under negotiation with the relevant banks. Furthermore a pledge on the commercial activities is given by Intellect International NV amounting to $8,691,000 and 4,346,000.

During the period Intellect Touch Pty Ltd entered into a commercial loan agreement with Sabatica Pty Ltd to borrow $5,000,000 at a variable rate equivalent to the average day bank bill rate plus three percent to be repaid before the 30 September 2004. Also Intellect Touch Pty Ltd entered into another agreement to borrow further funds as required as a drawdown facility with Sabatica Pty Ltd at a variable rate equivalent to the average day bank bill rate plus three percent to be repaid before the 30 September 2004. In return Sabatica Pty Ltd took a fixed and floating charge over the assets of Intellect Touch Pty Ltd.

I NOTE 27: SEGMENTAL INFORMATION I

Business segments
The consolidated entity operates predominantly in the design, marketing, distribution and manufacturing of security and electronic funds transfer and encapsulated solid state keyboard technology. The consolidated entity is organised into and operates in the following geographical regions.

Australia/Asia
Australia is the home country of the Group and the operating entity Intellect Australia Pty Limited. The areas of operation in Australia are principally sales, distribution, service, assembly and research and development, as well as certain head office activities. Other distribution operations are carried on from our Hong Kong office (Intellect Asia Limited)

External customers and prospects included in the Australia/Asia region are mainly based in the following countries – Australia, New Zealand, China, Indonesia, Malaysia and Taiwan.

Europe/Americas
Belgium is the home country of the main operating entity Intellect International NV and the physical location of the Group's head office. Intellect International NV carries out sales, distribution, service, assembly, manufacturing and research & development activities. Other distribution operations are carried on from France (Intellect International NV).

External customers included in the Europe/Americas region are mainly based in the following countries – Austria, The Netherlands, Germany, United Kingdom, France, Belgium, Brazil, Mexico and the United States

Segment information (continued)
Primary reporting – geographical segments

	AUSTRALIA & ASIA		EUROPE & AMERICAS		ELIMINATION		CONSOLIDATION	
	03/04	02/03	03/04	02/03	03/04	02/03	03/04	02/03
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales to external customers	11,041	9,326	22,862	23,428	0	0	33,903	32,754
Intersegmental sales	974	258	1,734	7,037	-2,708	-7,295	0	0
Total sales revenue	12,015	9,584	24,596	30,465	-2,708	-7,295	33,903	32,754
Other revenue	475	1,420	-696	-1,268	0	0	-221	152
Total segment revenue	12,490	11,004	23,900	29,197	-2,708	-7,295	33,682	32,906
Segment result	-7,225	-2,141	-23,572	-24,453	-2,262	-91	-33,059	-26,685
Profit/(loss) from ordinary activities before income tax expense	-7,225	-2,141	-23,572	-24,453	-2,262	-91	-33,059	-26,685
Tax credit (charge)	0	0	0	0	0	0	-7,873	8,750
Net profit/(loss)	-7,225	-2,141	-23,572	-24,453	-2,262	-91	-40,932	-17,935
Segment assets	38,633	26,442	49,814	44,346	-53,931	-36,307	34,516	34,481
Tax assets	0	0	0	0	0	0	0	8,548
Unallocated assets							11	21
Total assets							**34,527**	**43,050**
Segment liabilities	59,270	46,795	46,850	41,948	-69,138	-64,979	36,982	23,764
Tax liabilities	0	0	0	0	0	0	0	74
Unallocated liabilities							13,573	13,231
Total liabilities							**50,555**	**37,069**
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	2,712	1,049	785	10,560	0	0	3,497	11,609
Depreciation and amortisation expense	866	2,220	1,331	14,963	0	0	2,197	17,183
Other non-cash expenses	0	0	0	0	0	0	0	0

Secondary reporting – business segments

The consolidated entity is not organised into specific business segments.

Notes to and forming part of the segment information

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Note 1 and the revised segment reporting accounting standard, AASB 1005 *Segment Reporting.* The geographical segments identified in the primary reporting disclosures are not materially different to the geographical segments identified in previous years. The comparative information has been restated to present the information on a consistent basis with the current year disclosures.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for service warranties. Segment assets and liabilities do not include income taxes.

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

I NOTE 28: TRANSACTIONS OF DIRECTORS AND DIRECTOR RELATED ENTITIES CONCERNING SHARES OR SHARE OPTIONS I

Directors

The names of persons who were Directors of Intellect Holdings Limited at any time during the financial year were as follows Dr. J.E. Haag, R.W. Leighton, D.A. Taylor, J.A.C. de Smet, M.L. Jefferies, F. De Vrieze.

28.1 Shares and share options of Intellect Holdings Ltd. held by Directors of the Company	**03/04** **Number**	**02/03** **Number**
Ordinary Shares		
Dr. J.E. Haag	2,000,000	2,000,000
Mr. F. De Vrieze (resigned 5 September 2003)	480,000	480,000
Mr. R.W. Leighton (resigned 13 October 2003)	3,709,318	10,777,174
Mr. D.A. Taylor (resigned 13 August 2004)	250,000	250,000
Mr. J.A.C. de Smet (resigned 26 May 2004)	250,000	250,000
Options		

28.2 Aggregate numbers of shares and share options of Intellect Holdings Ltd. held directly, indirectly or beneficially by directors of the Company and consolidated entity or their director-related entities at balance date

Ordinary shares acquired	Nil	Nil
Options over ordinary shares	Nil	Nil
Ordinary shares sold	Nil	460,000
Options over ordinary shares exercised	Nil	Nil
Options over ordinary shares lapsed	Nil	1,700,000

Transaction with Entities in the Wholly Owned Group

The Company has loans receivable of $4,509,394.54 with an associated provision of $4,349,394.54 (2003-$12,039,323 associated provided 10,841,830) relating to Intellect Australia Pty Ltd., $787,999.42 receivable to Intellect International NV, no payable to Intellect Australia Pty Ltd. (2003-$1,197,492.94), no payable to Intellect International NV (2003-$282,228), payable to Techway Pty Ltd. $527,990 (2003-$527,990), payable to Intellect Hong Kong. $247 (2003- $247) and receivable $2,799,473 fully provided (2003-$2,799,473) to Intellect Inc. and $243,509 fully provided (2003-$344,843) to Intellect Europe (UK) Limited and Intellect Overseas Pty Ltd. $2,100 fully provided (2003-$2,100). Intellect Australia Pty has charged royalties to Intellect International in previous years.

The loans are unsecured and have no set term of repayment. The Company charged interest on the Intellect Australia Pty Ltd. receivable of $nil (2003-$nil). Intellect International NV sold assets to Intellect Australia Pty Ltd for $2,444,240 (2003 - $nil). The Company sold assets to Intellect Touch Pty Ltd for $13,020 (2003 - $ nil). Intellect Australia Pty Ltd sold assets to Intellect Touch Pty Ltd for $3,157,150 (2003 - $ nil).

I NOTE 29: INVESTMENT IN CONTROLLED ENTITIES I

	Comments	Class of Share	INTEREST HELD 03/04	INTEREST HELD 02/03
Intellect Holdings Limited	1			
Controlled by Intellect Holdings Limited				
Intellect Australia Pty Ltd.	1	Ord	100%	100%
Intellect Overseas Limited	1	Ord	100%	100%
TAFMO Limited	1	Ord	100%	0%
Techway Pty Ltd.	1	Ord	100%	100%
Intellect International NV	2	Ord	75%	75%
Intellect Asia Limited	8	Ord	100%	100%
Intellect Brasil Ltda.	9	Ord	100%	100%
Intellect Touch Pty Ltd.	1	Ord	100%	0%
Controlled by Intellect Overseas Limited				
Intellect International NV	2	Ord	25%	25%
Intellect Inc.	5	Ord	100%	100%
Intellect Europe Limited	6	Ord	100%	100%
Controlled by Intellect Australia Pty Ltd.				
E.C.I. European Community Intellect BV	3	Ord	100%	100%
Controlled by Intellect Touch Pty Ltd.				
Touch Networks Pty Ltd	1	Ord	100%	0%
Controlled by Intellect Europe NV				
Intellect Deutschland Gmbh	4	Ord	100%	100%
Controlled by Intellect International NV				
Intellect Technology Pty Ltd.	1	Ord	100%	100%
Pay@home SAS	7	Ord	51%	51%

Comments

1. Incorporated in Australia
2. Incorporated in Belgium
3. Incorporated in the Netherlands
4. Incorporated in Germany
5. Incorporated in the United States of America
6. Incorporated in the United Kingdom
7. Incorporated in France
8. Incorporated in Hong Kong
9. Incorporated in Brazil

Note:
Pay@home includes no significant balances at the year end and has not traded during the period.

On 29 October 2003 the parent entity acquired 100% of the share capital of Intellect Touch Pty Ltd.
On 31 May 2004 Intellect Touch Pty Ltd acquired 100% of the share capital of Touch Networks Pty Ltd.
On 28 June 2004 the parent entity acquired 100% of the share capital of TAFMO Ltd.

Acquisition of controlled entity
On the 31 May 2004 Intellect Touch Pty Ltd purchased the 100% of the shares in Touch Networks Pty Ltd as part of the purchase of assets from Touchcorp Ltd for 5,389,831 shares in the company and a royalty payment of 25.5% of gross commission revenue of Intellect Touch Pty Ltd earned in Australia for a further 5 years. The operating results of the newly controlled entity have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition are as follows:

Assets purchased from Touchcorp Ltd

	$'000
Fair value of identifiable net assets of Touch Networks Pty Ltd at the date of acquisition:	
Intellect property	350
Software	1,750
Plant and equipment	242
Cash	748
Trade Debtors	1,798
Sundry Debtors	85
Trade Creditors	-2,631
	2,342
Satisfied by	
Cash consideration	250
Equity consideration	2,092
	2,342

I NOTE 30: EARNINGS PER SHARE I

	Consolidated	
	Cents	Cents
Basic earnings/(loss) per share	**-15.71c**	**-8.23c**
Diluted earnings/(loss) per share	**-15.71c**	**-8.23c**

	Consolidated	
	2004 Number	2003 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.	**260,505,205**	**217,946,826**
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	**260,505,205**	**217,946,826**

Reconciliations of earnings used in calculating earnings per share
The numerator used in the calculation of both Basic EPS and Diluted EPS is -$40,932,000 and there are no reconciling items to loss from ordinary activities before income tax benefit.

Reconciliation of weighted average number of ordinary shares used in calculating earnings per share
The denominator used in the Diluted EPS calculation is 260,505,205. Share options with an exercise price above the average market price ($0.35) during the year have been excluded from the calculation of the diluted EPS.
Information concerning the classification of securities
(a) Options
Options granted to employees under the Employee Share Option Plan are considered to be potential ordinary shares and have been considered in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 34.

I NOTE 31: EMPLOYEE SHARE OPTION PLAN I

Under the terms of the Employee Share Option Plan (ESOP) approved by shareholders at the November 2000 AGM, the Board may offer options, at no cost, to full-time or part time employees and consultants of the Company. The Board may determine the eligibility of persons and their entitlement having regard to each person's contribution and potential contribution to the Company and any other relevant matters.

Both Executive and Non-Executive Directors are also entitled to participate under the ESOP. However, any grant of options to Directors will require shareholder approval under ASX Listing Rules.

Each option is to subscribe for one fully paid ordinary share in the Company. When issued the share will rank equally with other ordinary shares of the Company. Options may not be transferred and quotation of the options on ASX will not be sought. However, the Company will apply to ASX for official quotation of shares issued on the exercise of the options.

Number of options outstanding	Date of Issue	Exercise Price	Date of Expiry
250,000	8 August 2002	$0.38	8 August 2007
500,000	1 September 2002	$0.36	1 September 2007

During the financial year, the Company has issued no shares as a result of the exercise of plan options.

I NOTE 32: FINANCIAL INSTRUMENTS I

(a) Credit Risk Expenses

The credit risk on financial assets of the consolidated entity which have been recognized on the balance sheet is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates.

For the year 03/04	Notes	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	over 1 to 5 years $'000	more than 5 years $'000	Non-interest bearing $'000	Total $'000
Financial assets							
Cash and deposits	**5**	1,384	0	0	0	0	1,384
Receivables	**6**	0	0	0	0	12,896	12,896
Other financial assets - investments	**10**	0	0	0	0	11	11
		1,384	**0**	**0**	**0**	**12,907**	**14,291**
Weighted average interest rate		0.50%				0.00%	
Financial liabilities							
Bank overdrafts and loans	**14**	0	18,852	0	0	0	18,852
Trade and other creditors	**13**	0	0	0	0	23,465	23,465
Other loans	**14**	0	266	153	0	0	419
		0	**19,118**	**153**	**0**	**23,465**	**42,736**
Weighted average interest rate			4.3%	9.70%		0.00%	
Net financial assets (liabilities)		**1,384**	**-19,118**	**-153**	**0**	**-10,558**	**-28,445**

For the year 02/03	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	over 1 to 5 years	more than 5 years	Non-interest bearing	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Cash and deposits	**5**	1,402	0	0	0	0	1,402
Receivables	**6**	0	0	0	0	10,898	10,898
Other financial assets – investments	**10**	0	0	0	0	11	11
		1,402	**0**	**0**	**0**	**10,909**	**12,311**
Weighted average interest rate		0.50%				0.00%	
Financial liabilities							
Bank overdrafts and loans	**14**	0	12,940	0	0	0	12,940
Trade and other creditors	**13**	0	0	0	0	19,331	19,331
Other loans	**14**	0	281	351	0	0	632
		0	**13,221**	**351**	**0**	**19,331**	**32,903**
Weighted average interest rate			5.38%	9.70%		0.00%	
Net financial assets (liabilities)		**1,402**	**-13,221**	**-351**	**0**	**-8,422**	**-20,592**

(c) Net fair value of financial assets and liabilities

The net fair value of cash equivalents and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.
For non traded equity investments, the net fair value is an assessment by the directors based on the underlying net assets, future maintainable earnings and any special circumstances pertaining to a particular investment.

I NOTE 33: SUBSEQUENT EVENTS I

An equity raizing was undertaken during August 2004 which sold the TAFMO value added services business by way of the offer of a pro rata entitlements issue to Intellect shareholders resident in Australia. The offer was fully underwritten by Sabatica Pty Ltd, a subsidiary of Guinness Peat Group plc (GPG)

The offer was successfully completed on September 3, 2004 and yielded Intellect Holdings Limited an amount of $11.2 million by way of a cash consideration plus 16 million shares in TAFMO Limited (value at issue price=$8m). $8,415,000 of raised funds was used to repay the Sabatica Pty Ltd loans. Of the shares 8 million are immediately available with the remaining 8 million held in escrow pending achievement by TAFMO of certain business targets.

The financial effects of these events have not been recognized in these financial statements.

The carrying amount of the net assets of the TAFMO value added services business, as included in the consolidated entity financial statements trough it's wholly owned subsidiary Intellect Touch, amounted to a negative $ 1,378,140 as per 30 June 2004.

I DIRECTORS' DECLARATION I
30 June 2004

The Directors declare that the financial statements and Notes set out on pages 10 to 71:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Director's opinion:

(a) the financial statements and Notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dr. J.E. Haag
Executive Chairman

30 September 2004
Melbourne

I INDEPENDENT AUDIT REPORT I

I INDEPENDENT AUDIT REPORT TO THE MEMBERS OF INTELLECT HOLDINGS LIMITED I

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Independent audit report to the members of Intellect Holdings Limited

Qualified Audit Opinion

Because of the existence of the limitations on the scope of our work as described in the qualification paragraphs below, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitations not existed, we are unable to and do not express an opinion as to whether the financial report of Intellect Holdings Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Intellect Holdings Limited and the Intellect Holdings Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Qualifications

(a) Going Concern basis of preparation

As stated in note 1.27 to the financial statements the ability of the consolidated entity to continue as a going concern and meet its debts and commitments as and when they fall due remains critically dependent upon the continued availability of existing bank facilities and the ability to put in place additional funding. The directors of the consolidated entity are currently actively working on securing additional funding to enable the consolidated entity to continue as a going concern. However the additional funding arrangements are not finalised at the date of this report and accordingly, we have been unable to obtain sufficient and appropriate audit evidence necessary to form an opinion on the appropriateness of the going concern basis of preparation.

(b) Adequacy of disclosure

As the directors of the consolidated entity are currently actively working on securing additional funding we have been unable to obtain sufficient and appropriate audit evidence as to the completeness and accuracy of certain disclosures contained within these financial statements. Such disclosures include, but are not restricted to the information in Note 10 – Investments in Subsidiaries, and Note 33 - Subsequent Events.

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Intellect Holdings Limited (the company) and the Intellect Holdings

Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

John Yeoman
Partner

Melbourne
30 September 2004

I EQUITY SECURITY HOLDERS I

The following information relating to Shareholders is reflected at 31 August 2004

Name	Number of shares	% of Issued Capital
Sabatica Pty Ltd	54,501,000	19.59
Westpac Custodian Nominees Ltd	49,240,932	17.70
National Nominees Limited	29,976,099	10.77
Van De Velden Holdings	18,325,000	6.59
Citicorp Nominees Pty Ltd	9,789,033	3.52
Touchcorp	5,389,831	1.94
Inducam NV	5,004,250	1.80
Invia Custodian Pty	4,215,322	1.51
Leighton Nominees Pty Ltd.	3,709,318	1.33
ANZ Nominees Limited	2,310,594	0.83
Nefco Nominees Pty Ltd	1,886,960	0.68
RMB Group Pty Ltd	1,000,000	0.36
Mr. A. J. Huntley	850,000	0.31
Mr. G. Laris & Mr. A. Laris	800,000	0.29
J.P Morgan Nominees Australia Limited	689,275	0.25
Mr. K. Xung	630,073	0.23
Mr. J. Apostolakis	600,000	0.22
G&H Custodians Pty Ltd	532,000	0.19
Mr. R. Schmid	509,169	0.18
Mr. E. Bennik & Ms. D. Bennik	501,500	0.18
	190,460,356	**68.47**

I DIRECTORS' SHAREHOLDINGS I

	Name	Number of Shares
Dr.	J.E. Haag	2,000,000

I OPTION HOLDERS I

Name	Number of options	% of options issued
Mr. W. Brinkman	500,000	67%
Mr. P. Course	250,000	33%
	750,000	

I SUBSTANIAL SHAREHOLDERS I

Substantial holders in the company at the date of the report are set out below:

Name	Number	%
Guinness Peat Group & subsidiaries	54,501,000	19.59%
Brickersville Corporation NV	33,333,325	13.30%
Marcurius Beleggingsmaatschappij BV	33,333,325	13.30%
Cor van de Velden	18,325,000	6.59%
Scienceville Corporation NV	13,622,350	5.44%

I DISTRIBUTION OF FULLY PAID ORDINARY SHARES I

Range	Holders	Units	% Issued Capital
1 – 1,000	720	510,250	0.18
1,001 – 5,000	1,862	5,797,547	2.08
5,001 – 10,000	819	7,022,752	2.52
10,001 – 100,000	1,223	43,100,081	15.49
100,001 – Over	177	221,834,027	79.72
	4,801	**278,264,657**	**100**