REVERSE CORP LIMITED

ANNUAL REPORT 2011

1800 REVERSE 8000 REVERSE 0800 REVERSE TriTel AUSTRALIA

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CHAIRMAN'S LETTER

Reverse Corp Limited
ABN 16 085 949 855
23 McDougall Street
Milton QLD 4064

Dear Investor,

On behalf of your Board, I am pleased to present to you our Annual Report for the financial year ended 30 June 2011 (FY11).

Reverse Corp's FY11 results reflected the company's continued restructuring and transition. Revenues of $15.0 million and net profit after tax of $1.3 million were generated in FY11, reflecting:

- A strong Australian dollar that negatively impacted the translation of offshore earnings
- Reducing call volumes
- Technical trial costs in New Zealand
- The benefit of the management restructure performed during the previous year
- Growth reinvestment through renewing marketing campaigns and expanding product features to leverage brand recognition and grow market share in Australia and the United Kingdom.

Negotiations with Telstra Corporation for the renewal and expansion of Reverse Corp's Australian fixed-line services agreement continued through FY11. An extension to 31 January 2012 was signed to allow discussions for a long term renewal to continue. These discussions have progressed well and we are confident a new agreement will be reached with Telstra. Discussions also continued in relation to the remaining Australian mobile access agreements. Over the past 12 months, Reverse Corp also expanded its Australian reverse charge to mobile offerings which is driving incremental call volumes.

In offshore markets, Reverse Corp expanded its product offering in the United Kingdom to allow reverse charge calls to mobiles with call volumes for this new product growing quickly. In Spain, the regulator issued its long awaited favourable ruling permitting the launch of a service and the company is currently considering the economics of entering this market. Reverse Corp also trialled its first product in New Zealand and is testing a mobile reverse charge product in Ireland.

Whilst market conditions in FY11 were challenging and are likely to remain so in the short term, Reverse Corp has identified a number of opportunities to respond to these challenges.

In light of potential growth opportunities, the Directors considered it prudent not to declare a dividend for FY11. The Board remains committed to investing in capital expenditure, product developments and potential acquisitions to underpin growth. The reinstatement of future dividends reflecting the earnings profile of the company while balancing the growth capital needs of the business remains a priority for the Board.

I would like to thank my fellow Board members and the team at Reverse Corp for their contribution during the year as we continued to restructure and reposition the company for future growth.

Finally I would like to thank you, our shareholders for your continued support. The initiatives implemented over the past 12 months position Reverse Corp to continue to pursue opportunities to increase shareholder value.

Yours faithfully

Peter D Ritchie

Peter D Ritchie
Chairman
Reverse Corp Limited

OPERATIONS REPORT

Reverse Corp is the leading provider of reverse charge calling services in Australia, the United Kingdom and the Republic of Ireland. The group continues to focus on the provision of calls of last resort, allowing people to make calls from out-of-credit pre-paid mobile phones and payphones to most fixed and mobile telephones in the countries in which we operate.

The Group result

In FY11, the group generated revenue of $15.0 million, earnings before interest, tax, depreciation and amortisation (EBITDA) of $3.2 million, and net profit after tax $1.3 million representing earnings per share of 1.4 cents.

Australia

The Australian business, including TriTel Australia, the group's payphone operator, generated revenue of $9.4 million and EBITDA of $2.0 million. Following the management restructure implemented in FY10, savings in fixed costs from reduced employment expenses were realised during FY11 and will continue going forward.

A further short-term extension to 31 January 2012 was agreed for 1800 Reverse's fixed-line Services Agreement with Telstra Corporation Limited. The company is continuing to explore ways in which to expand our relationship with Telstra including providing access to our service from Telstra's pre-paid mobile customer base.

United Kingdom

The group's business in the United Kingdom generated $5.4 million of revenues. Declining call volumes as a result of increased competitive mobile carrier out-of-credit offerings and the strong Australian dollar negatively impacted FY11 revenue.

During FY11 our product offering was expanded to allow reverse charge calls to be accepted on mobile handsets. With a refreshed marketing campaign, call volumes for the offering have grown quickly.

The transition of management responsibility for the United Kingdom and Irish businesses to Australia during FY10 generated savings in fixed costs during FY11 that will continue going forward.

Republic of Ireland

The group's Irish business was restructured in FY10, generating cost savings and a small positive contribution to overall group earnings in FY11. In early FY12, we commenced a test of our reverse charge to mobile product with encouraging early results.

Outlook

The initiatives implemented over the past 12 months have successfully repositioned the company and restrengthened the business for a return to growth.

We are now focussed on regaining lost market share through a more competitive business strategy and improved product offerings. We continue to pursue additional agreements to allow broader access to our services. A longer term extension to the Administrative Service agreement in Australia is a priority, as is an expanded mutually beneficial relationship with Telstra. Lastly, we are progressing our plans for expansion into the Spanish market as well as other logical geographies.

Paul S Jobbins
Chief Executive

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2011.

Directors

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

Mr Peter D Ritchie – Chairman

Mr Stephen C Jermyn

Mr Richard L Bell

Mr Gary B Hillberg

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

Principal Activities

The principal activity of the consolidated entity during the financial year was the provision of reverse charge calling services. There were no significant changes in the nature of the consolidated entity's principal activities during the financial year.

Operating Results

Net profit after tax for the consolidated entity for the year to 30 June 2011 amounted to $1.3 million, down from $4.0 million for the previous year. Revenue for the year was $14.6 million, down from $23.7 million in the previous year, and earnings before interest and tax (EBIT) was $2.3 million.

The result was again impacted by the strong Australian dollar, declining call volumes and reduced margins due to increased variable charges. Costs incurred from the technical trial of the company's product in New Zealand amounted to $280,000 after tax.

Review of Operations

During the year the company expanded its product offering in the United Kingdom to allow reverse charge calls to mobiles with these calls growing quickly. The company has also expanded its reverse charge to mobile offering in Australia and trialled its first product in the New Zealand market.

The company progressed negotiations for the renewal and expansion of its service agreement for Australian fixed-line billing and continued discussions for remaining Australian mobile access agreements.

Alternate avenues to commence operations in Spain were also pursued.

Financial Position

The company generated operating cash flows of $2.4 million, compared to the previous year of $7.6 million, and the balance sheet remains conservatively geared with net cash at year end of $1.8 million.

Significant Changes in State of Affairs

In the opinion of the directors there were no other significant changes in the state of affairs of the consolidated entity during the financial year not otherwise disclosed in this report or the consolidated financial statements.

After Balance Date Events

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

Future Developments, Prospects and Business Strategies

To improve the consolidated entity's profit and increase shareholder wealth, the following developments are intended to be implemented
in the future:

(i) continued expansion of product features;

(ii) seeking additional mobile origination agreements in Australia; and

(iii) the pursuit of further geographic expansion.

These developments, together with the current strategy of continuous improvement in existing markets, are expected to assist in the achievement of the consolidated entity's long-term goals.

Environmental Issues

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

DIRECTORS' REPORT

Information on Directors

Mr Peter D Ritchie	—	Chairman (Non-executive)
Qualifications	—	B.Com, FCPA
Experience	—	Company Chairman since inception in 1999. Previously founding Director, Chief Executive and Chairman of McDonald's Australia Limited.
Interest in Shares and Options	—	3,733,823 Ordinary Shares in Reverse Corp Limited.
Special Responsibilities	—	Mr Ritchie is a member of the Audit and Risk Committee and Chairman of the Remuneration and Nomination Committee.
Directorships held in other listed entities	—	Current Deputy Chairman of Seven Group Holdings Limited (since August 1991), and Chairman of Mortgage Choice Limited (since April 2004).

Mr Gary B Hillberg	—	Operations Director
Qualifications	—	B.Bus (Marketing)
Experience	—	Mr Hillberg has been a Board member since October 2005. He has over 30 years experience in the Australian telecommunications industry and has held the roles of Chief Operating Officer and Group Managing Director with the company.
Interest in Shares and Options	—	250,356 Ordinary Shares in Reverse Corp Limited and options to acquire a further 180,000 Ordinary shares.

Mr Stephen C Jermyn	—	Non-executive Director
Qualifications	—	FCPA
Experience	—	Mr Jermyn joined the Board of Directors of McDonald's Australia in 1986 and was appointed Executive Vice President in 1993. In June 1999, he was appointed Deputy Managing Director. In August 2005 Mr Jermyn stepped down from executive duties at McDonald's. Mr Jermyn was appointed to the Board of Reverse Corp Limited in October 2005.
Interest in Shares and Options	—	2,901,544 Ordinary Shares in Reverse Corp Limited.
Special Responsibilities	—	Mr Jermyn is the Chairman of the Audit and Risk Committee, and a member of the Remuneration and Nomination Committee.
Directorships held in other listed entities	—	Mr Jermyn is a current director of Mortgage Choice Limited and a former director of Regional Express Holdings Limited (resigned June 2008).

Mr Richard L Bell	—	Non-executive Director
Qualifications	—	LLB
Experience	—	Mr Bell is Reverse Corp's founder and former Chief Executive.
Interest in Shares and Options	—	20,370,588 Ordinary Shares in Reverse Corp Limited.
Special Responsibilities	—	Mr Bell is a member of the Remuneration and Nomination Committee and the Audit and Risk Committee.
Interest in Contracts	—	Mr Bell controls a company which leases office premises to group companies 1800 Reverse Pty Ltd and TriTel Australia Pty Ltd.

DIRECTORS' REPORT

Company Secretary

The following people held the position of company secretary at the end of the financial year:

Mr Paul S Jobbins, CA, B.Bus.(Aca), G.DipAppFin (Finsia), M.AppFin.
Mr Jobbins was appointed Company Secretary in March 2009. He has held the position of Managing Director (Australia) and Chief Financial Officer since December 2008 and is now the group's Chief Executive Officer.

Mr Michael R Mallinson, CPA, Bsc
Mr Mallinson was appointed Company Secretary in December 2010. He is currently Group Financial Controller and has held this position since April 2010.

Dividends Paid

No dividends have been paid or declared during or since the end of the year.

Indemnifying Officers or Auditor

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid a premium to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium paid totalled $31,561.

No indemnification has been provided to the auditors of the company.

Meetings of Directors

The number of meetings of the company's Board of directors and Board committees held during the year and the number of meetings attended by each director and committee member were:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			Audit and Risk		Remuneration and Nomination	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Peter D Ritchie	5	5	2	2	2	2
Mr Stephen C Jermyn	5	5	2	2	2	2
Mr Richard L Bell	5	4	2	2	2	2
Mr Gary B Hillberg	5	5	-	-	-	-

DIRECTORS' REPORT

Options

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

Number of option	Exercise price	Expiry Date
15,000	$0.50	1 October 2012
200,000	$0.60	1 October 2012
180,000	$1.99	8 November 2015
500,000	$5.00	19 June 2017
250,000	$2.00	18 December 2018
250,000	$2.50	18 December 2018
250,000	$3.00	18 December 2018
1,645,000		

During the year ended 30 June 2011, no shares were issued on the exercise of options. No further shares have been issued since the end of the year.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

For details of options issued to directors and executives as remuneration refer to the Remuneration Report and to Note 29 Share-based Payments.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Non-audit Services

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the APES 110: Code of Ethics for Professional accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid during the year ended 30 June 2011, or are payable, to the external auditors:

	Consolidated entity
Taxation and other services	17

Auditor's Independence Declaration

The lead auditor's independence declaration as per section 307C of the *Corporations Act 2001* for the year ended 30 June 2011, which forms part of this report, has been received and can be found on page 12.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Remuneration Report – Audited

This report details the nature and amount of remuneration for each key management person of Reverse Corp Limited and for the five executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Reverse Corp Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term incentives based on key performance areas affecting the consolidated entity's financial results. The Board of Reverse Corp Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated entity, as well as create goal congruence between key management personnel and shareholders.

DIRECTORS' REPORT

The Board's policy for determining the nature and amount of remuneration for key management personnel of the consolidated entity is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Remuneration and Nomination Committee and approved by the Board.
- Key management personnel may receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Remuneration and Nomination Committee reviews key management personnel packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of key management personnel is measured against criteria agreed annually with each individual and is based predominantly on the forecast growth of the consolidated entity's profits and shareholders' value. All bonuses and incentives are linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of key management personnel and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

Key management personnel employed in Australia receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed. Options are valued using a binomial methodology.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration and Nomination Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

The company has adopted a policy in respect of directors and executives trading in the company's securities. No formal policy has been adopted regarding directors and executives hedging exposure to holdings of the company's securities and no director or executive has hedged their exposure.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus based on key performance indicators, and the second being the issue of options to directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth.

DIRECTORS' REPORT

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. In determining whether or not a KPI has been achieved, Reverse Corp Limited bases the assessment on audited figures.

The following table shows the gross revenue, profits and dividends for the last 5 years for the listed entity, as well as the share prices at the end of the respective financial years.

The Board is of the opinion that the previously described remuneration policy will result in increased shareholder wealth.

The directors are concerned by fluctuations in the share price, reaching a high of $0.17 and a low of $0.05 during the year. The business was impacted by the strong Australian dollar, declining call volumes and reduced margins due to increased variable charges. To stabilise the share price the company is pursuing long term earnings through its growth pipeline, including by acquisition, product development and expansion.

	2007	2008	2009	2010	2011
	$000	$000	$000	$000	$000
Revenue	50,886	48,981	39,254	23,652	14,648
Net Profit	20,778	20,077	13,315	3,994	1,310
Dividends paid	14,733	22,150	19,396	3,695	-
Share price at year-end	$5.90	$1.42	$0.69	$0.13	$0.05

Details of remuneration for year ended 30 June 2011

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity. Names and positions held of key management personnel in office at any time during the financial year are:

Directors

Peter Ritchie
Non-executive Chairman

Gary Hillberg
Operations Director

Stephen Jermyn
Non-executive Director

Richard Bell
Non-executive Director

Management Personnel

Paul Jobbins
Chief Executive Officer and Chief Financial Officer

Michael Mallinson
Group Financial Controller

Steven Pearson
Chief Technical Officer

Justin Scott
Chief Technical Officer – UK
(ceased 31 August 2010)

Liam Martin
General Manager – TriTel Australia Pty Ltd

Charles Slaughter
General Manager, Operations
(commenced 21 March 2011)

John Bucknell
Managing Director – TriTel Australia Pty Ltd
(ceased 2 July 2010)

DIRECTORS' REPORT

The remuneration for the key management personnel of the consolidated entity during the year was as follows:

Details of remuneration for year ended 30 June 2011

	Primary				Equity	Other	Total	Performance based	Proportion consisting of options
	Salary & Fees	Superannuation	Cash Bonus	Non-Cash Benefits	Options	Termination Benefits			
	$000	$000	$000	$000	$000	$000	$000	%	%
Directors									
Peter Ritchie	87	8	-	-	-	-	95	-	-
Stephen Jermyn	14	36	-	-	-	-	50	-	-
Richard Bell	-	-	-	-	-	-	-	-	-
Gary Hillberg	147	13	-	-	-	-	160	-	-
	248	**57**	**-**	**-**	**-**	**-**	**305**		
Management Personnel									
Paul Jobbins	325	25	-	-	12	-	362	3.4%	3.4%
Michael Mallinson	130	12	-	-	-	-	142	-	-
Steven Pearson	200	20	28	-	-	-	248	11.1%	-
Justin Scott	26	-	-	-	-	89	115	-	-
Liam Martin	146	13	-	-	-	-	159	-	-
Charles Slaughter	42	4	-	-	-	-	46	-	-
	869	74	28	-	12	89	1,072		
Total Compensation	**1,117**	**131**	**28**	**-**	**12**	**89**	**1,377**		

DIRECTORS' REPORT

Details of remuneration for year ended 30 June 2010

	Primary				Equity	Other	Total	Performance based	Proportion consisting of options
	Salary & Fees	Superannuation	Cash Bonus	Non-Cash Benefits	Options	Termination Benefits			
	$000	$000	$000	$000	$000	$000	$000	%	%
Directors									
Peter Ritchie	87	8	-	-	-	-	95	-	-
Shane Donovan (ceased 31 May 2010)	200	-	-	-	-	274	474	-	-
Stephen Jermyn	14	36	-	-	-	-	50	-	-
Richard Bell	12	13	-	-	-	-	25	-	-
Gary Hillberg	147	13	-	-	-	-	160	-	-
	460	**70**	**-**	**-**	**-**	**274**	**804**		
Management Personnel									
Paul Jobbins	245	22	-	-	36	-	303	-	11.9%
Steven Pearson	173	16	-	-	-	-	189	-	-
John Bucknell (ceased 2 July 2010)	150	13	-	-	-	-	163	-	-
Justin Scott	157	-	-	-	-	-	157	-	-
Mark Dinsdale (ceased 31 May 2010)	117	-	-	-	-	40	157	-	-
	842	51	-	-	36	40	969		
Total Compensation	**1,302**	**121**	**-**	**-**	**36**	**314**	**1,773**		

Termination benefits provided to Mr. Donovan consisted of statutory long service leave entitlements, notice period and a bona fide redundancy payment of one month's salary for each full year of service.

Options held by key management personnel have exercise prices ranging from $1.99 to $3.00.

Refer to Note 5 Key Management Personnel Remuneration for more information.

Options issued as part of remuneration for the year ended 30 June 2011

During the year there were no options issued to key management personnel as part of their remuneration.

DIRECTORS' REPORT

Employment contracts of key management personnel

The employment conditions of key management personnel are formalised in contracts of employment. All management personnel are permanent employees of 1800 Reverse Operations Pty Ltd.

The employment contracts stipulate a range of one to six month resignation periods. The company may terminate an employment contract without cause by providing written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

Chief Executive Officer, Mr Paul Jobbins, is entitled to receive cash bonuses of up to 55% of his salary upon achieving key performance criteria including reaching new mobile origination agreements and extending the Australian fixed-line services agreement. These agreements will drive increased call volume and revenue leading to increased shareholder value. At year end these agreements had not yet been reached.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Peter D Ritchie

Mr Peter D Ritchie
Chairman

Dated this 29th day of August 2011

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AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF REVERSE CORP LIMITED

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Reverse Corp Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

1 No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

2 No contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A F Newman
Director – Audit & Assurance

Brisbane, Dated 29 August 2011

CORPORATE GOVERNANCE STATEMENT

Reverse Corp is committed to good corporate governance and to putting in place arrangements that it believes are in the best interest of the Group, its shareholders and other stakeholders. This Corporate Governance Statement reports the position of the company as at 30 June 2011 and as against the Corporate Governance Principles and Recommendations issued by the ASX (second edition with 2010 amendments) (the "Principles and Recommendations").

After careful consideration, the Board has determined that in some circumstances comprehensive adoption of the Principles and Recommendations may not be in the best interests of the company and its shareholders. A principal reason is due to the relatively small size of the management team and Board (less than 10 people), their close knowledge and input into various aspects of the business and the costs and benefits of fully implementing some of the Principles and Recommendations. An explanation of the departure from specific recommendations is provided under the relevant Recommendation below.

The company has uploaded its corporate governance policies on its website at www.reversecorp.com.au. The policies mentioned in this Corporate Governance Statement and that are available on the website are noted below by an asterisk (*).

PRINCIPLE 1: Lay solid foundations for management and oversight

Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Reverse Corp Board Charter* sets out the functions and responsibilities of the Board. In particular the Board is responsible for charting the direction of the company including its strategic direction, identifying risk and reviewing risk management processes, approving and monitoring reporting, appointing and removing the managing director, ratifying the appointment and removal of senior executives, approving performance management criteria for senior executives, ensuring ethical behaviour, evaluating compliance with corporate governance standards, establishing various sub committees and considering and determining directors' independence and the Board's independence as whole.

Senior executives are responsible for the day to day operation and management of the group as well as strategic forward planning in consultation with the Board. The Board Charter was reviewed by the Board during the financial year.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Remuneration and Nomination Committee is responsible for various aspects of remuneration and nomination, including the review of senior executive and Board members at least annually. A copy of the Committee's Charter* is available on the company website. All senior executives were reviewed during the financial year in accordance with the general process of review and the terms of the Charter. The annual Remuneration Report which forms part of the Directors' Report discloses the process for evaluating the performance of senior executives. In addition, pursuant to the terms of the Board Charter, the Board conducted an annual review of itself during the financial year.

PRINCIPLE 2: Structure the Board to add value

Recommendation 2.1: A majority of the Board should be independent directors.

The Board comprises 4 directors. Two of the directors are independent, being Mr Peter Ritchie (Chairman) and Mr Stephen Jermyn. The other directors are regarded as non-independent given their employment history and/or shareholding in the company. Mr Richard Bell is the founder and former Chief Executive and Mr Gary Hillberg is an executive director. The profiles of each of the directors are set out in the Directors' Report.

The Board considers the current composition of the Board serves the best interest of shareholders and that the benefit of securing two further independent directors (for the purposes of this Recommendation) is likely to be of limited additional value and not warranted by the associated costs.

Recommendation 2.2: The chair should be an independent director.

The chairman, Mr Peter Ritchie, is an independent director. He is responsible for the leadership of the Board and his other positions are not such as to hinder the effective performance of this role.

CORPORATE GOVERNANCE STATEMENT

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The role of chairman is held by Mr Peter Ritchie while the role of CEO is held by Mr Paul Jobbins, an executive and non Board member.

Recommendation 2.4: The Board should establish a nomination committee.

A Remuneration and Nomination Committee was established prior to Reverse Corp listing on the ASX. The current members of the Committee are:

- Mr Peter Ritchie (Chairman);
- Mr Stephen Jermyn; and
- Mr Richard Bell

Mr Ritchie and Mr Jermyn are independent directors. The profiles of each of the directors are set out in the Directors' Report.

Details of the Committee meetings held during the year and attendance at those meetings are also set out in the Directors Meetings Schedule in the Directors' Report.

The Remuneration and Nomination Committee operates pursuant to the Remuneration and Nomination Committee Charter*. The Charter sets out the responsibilities of the Committee including reviewing Board succession plans to ensure an appropriate balance of skills and expertise, developing policies and procedures for the appointments of Directors and identifying Directors with appropriate qualifications to fill Board Committee vacancies. The Charter was reviewed during the financial year.

The term of non-executive directorships is set out in the company's Constitution.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

The Board and its Committees undertook self-assessment in accordance with their relevant Charters during the financial year. Mr Peter Ritchie undertook to conduct annual one-on-one personal performance discussions with each of the individual directors.

The Board was provided with all company information it needed in order to effectively discharge its responsibilities and were entitled to, and did, request additional information when considered necessary or desirable.

PRINCIPLE 3:
Promote ethical and responsible decision-making.

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code to guide the directors, managing director, the chief financial officer and other key executives in responsible decision-making.

Although the company did not have a document entitled "code of conduct" during the past financial year, the company believes that the spirit of such a document is encapsulated in various aspects of the company's Personnel Manual and policies, including its Whistleblower Policy*. Adherence to these documents is a condition of employment. Together these documents provide a guide for employees, management and the Board in relation to the way in which company business will be conducted and the standards of behaviour applicable to employees when representing the company and dealing with each other. In addition, the centralised management structure and overlap of management personnel on the Board provides significant guidance as well as checks and balances to the decision making process.

CORPORATE GOVERNANCE STATEMENT

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

Due to the specialised nature of the industry in which the business operates, coupled with the fact that the company only requires a limited number of employees in highly specialised employment roles, the company has not adopted a Diversity Policy. However, the Board and senior management are committed to ensuring that the company's culture promotes and embraces diversity and that the organisations long standing commitment to being an equal opportunity employer is continued. As part of this commitment the company has had an Equal Opportunity Policy since inception which ensures that the recruitment, employee advancement and workplace environment within the company are compliant with all equal opportunity requirements. The recruitment and employee advancement processes for the Board, senior management and all employees are designed to ensure the appointment and promotion of well qualified candidates from a diverse pool.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Due to the limited number of employees and senior managers employed by the company and the centralised decision-making nature of the organisation, the company does not have measurable objectives for achieving gender diversity. Both the Board and senior management are aware of the diversity of the organisation.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The company uses full time equivalents to report upon the proportions of women employees, and their positions within the organisation however for disclosing diversity of the Board the company uses a head count approach.

Consultants who are engaged on an on-going basis are included in the calculations.

Diversity is reported by the categories Board, senior executives, managers and all other employees. A complete company category is also reported.

Board: Male 4 Female 0

Senior executives: Male 2 Female 0

Managers: Male 4.0 Female 2.5

Employees: Male 4.6 Female 2.0

Company (excluding Board): Male 10.6 Female 4.5 (29.8%)

PRINCIPLE 4: Safeguard the integrity in financial reporting

Recommendation 4.1: The Board should establish an audit committee

The Board appointed Audit and Risk Committee operates in accordance with the Audit and Risk Committee Charter*. The details of the Committee meetings held during the year and attendance at those meetings are detailed in the Directors Meetings Schedule in the Directors' Report.

Recommendation 4.2: Audit committee should be structured as follows: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the Board and has at least three members.

The composition of the company's Audit and Risk Committee was consistent with all of the aspects of Recommendation 4.2. The membership of the Committee as at the end of the financial year consisted of:

- Mr Stephen Jermyn (Chairman, Independent Non-executive Director);
- Mr Peter Ritchie (Independent Non-executive Director); and
- Mr Richard Bell (Non-executive Director)

The profiles of each of the directors, details of the Committee meetings held during the year and attendance at those meetings are set out in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

Recommendation 4.3: The audit committee should have a formal charter.

A formal Audit and Risk Committee Charter* has been adopted by the Board and reviewed by the Board during the financial year. This Charter sets out the role and responsibilities, composition, structure and membership requirements of the Audit and Risk Committee.

PRINCIPLE 5: Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies and procedures designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies.

The company's Continuous Disclosure Policy* was reviewed during the financial year. This Policy incorporates the ASX Guidelines and contains the disclosure requirements under the ASX Listing Rules and the Corporations Act. The Policy is published on the company's website and is also part of the company's Personnel Manual.

The Policy outlines certain types of information which will normally require disclosure, the procedures to be followed in different circumstances such as responding to analysts' reports, trading halts, how announcements should be made and briefings conducted and specifies those roles within the company that are authorised to make disclosures.

In addition to the Policy, the subject of continuous disclosure is discussed at each Board meeting to determine whether or not any issues have come to light that require disclosure.

Based on information provided to the Company Secretary by directors, officers and employees, the Company Secretary is responsible for determining which information is to be disclosed and for the over-all administration of this Policy.

PRINCIPLE 6: Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy.

The company has a Shareholder Communication Policy* which is available on its website. The policy acts in conjunction with the company's Continuous Disclosure Policy* and Securities Trading Policy* and details how the company interacts with its shareholders.

The Board has determined that the Company website will be the primary source of information for shareholders. The Company website will disclose all formal Company policies, all relevant announcements made to the market and the full text of notices of meetings and explanatory material.

All shareholders are provided with a notice of the annual general meeting in accordance the applicable law.

PRINCIPLE 7: Recognise and manage risk

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board has delegated responsibility for the company's risk management systems to the Audit and Risk Committee as detailed in the Audit and Risk Committee Charter*. The Audit and Risk Committee seeks to ensure compliance with legal and regulatory requirements and oversees the risk management system. The operational risks are managed at the senior management level and escalated to the Board for direction where the issue is novel, recurring or may impose a material financial burden on the company. The small size of the company means that communication and decision-making is centralised ensuring early identification of risks by senior management and allowing senior management to respond to each risk as is appropriate. During the year the company developed a written risk management policy and is in the process of implementing this policy.

CORPORATE GOVERNANCE STATEMENT

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Given the high level of centralised decision-making, the nature of the services the company supplies, the small senior management team and the fact that all of the independent directors sit on the Audit and Risk Committee and those Directors that are not on the Committee are executive directors, the Board is continuously kept across the effectiveness of the company's internal control systems.

The Board and management have formalised risk management policies. In addition, in accordance with Recommendation 7.3, the Chief Executive Officer has confirmed to the Board that the integrity of the financial statements is founded on a system of risk management and internal control which implements the policies adopted by the Board and that the company's risk management and internal control system is operating effectively in all material respects to manage the company's material business risks.

PRINCIPLE 8: Remunerate fairly and responsibly

Recommendation 8.1: The Board should establish a remuneration committee.

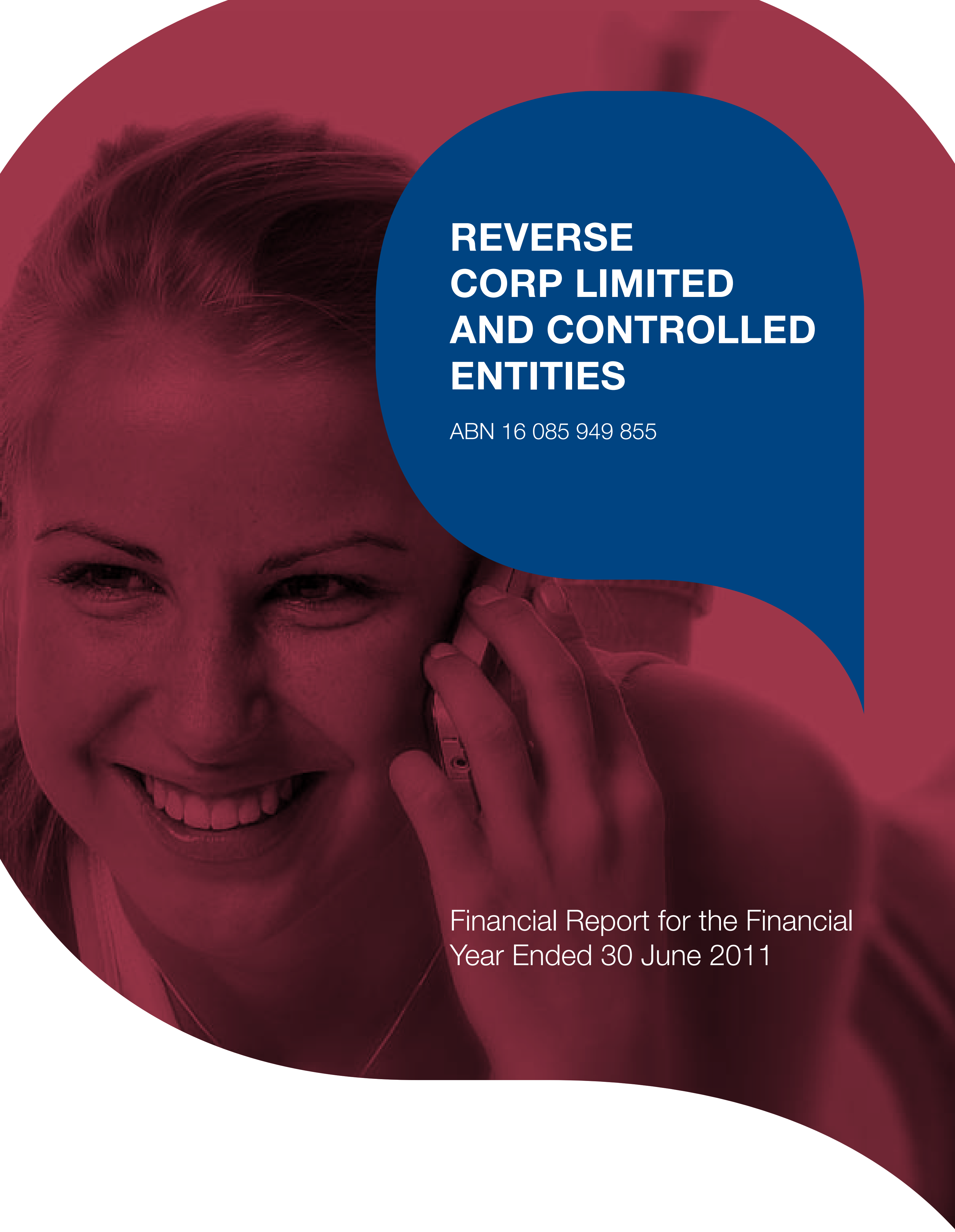
The Board appointed Remuneration and Nomination Committee operates pursuant to the Remuneration and Nomination Committee Charter*. This Charter was reviewed by the Board during the financial year. The current members of this Committee are:

- Mr Peter Ritchie (Chairman; Independent Non-executive Director);
- Mr Stephen Jermyn (Independent, Non-executive Director); and
- Mr Richard Bell (Non-executive Director).

The profiles of each of the directors as well as the details of the Committee meetings held during the year and attendance at those meetings are set out in the Directors' Report.

Recommendation 8.2: Companies should clearly distinguish the structure of the non-executive directors' remuneration from that of executive directors and senior executives.

Non-executive directors are remunerated by way of fees only. They do not receive options or bonus payments and there is no scheme for retirement benefits, other than statutory superannuation. Executive directors are paid a salary and provided with options and/or bonuses as part of their remuneration and incentive package. They do not receive a separate payment for participation on the Board.



REVERSE CORP LIMITED AND CONTROLLED ENTITIES

ABN 16 085 949 855

Financial Report for the Financial Year Ended 30 June 2011

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Note	Consolidated Entity	
		2011 $000	2010 $000
Revenue	**2**	14,648	23,652
Other revenue	**2**	358	25
Direct costs associated with revenue	**3**	(8,356)	(10,080)
Employee benefits expense		(2,104)	(3,091)
Depreciation and amortisation expense		(873)	(1,034)
Other expenses		(1,128)	(2,455)
Finance costs	**3**	(107)	(198)
Share of net profits of associates	**15**	(73)	(18)
Profit before income tax		2,365	6,801
Income tax (expense) / benefit	**4**	(1,055)	(2,807)
Profit for the year		**1,310**	**3,994**

Other comprehensive income			
Foreign currency translation differences		(271)	(336)
Income tax on other comprehensive income	**4**	28	235
Other comprehensive income for the year, net of income tax		**(243)**	**(101)**
Total comprehensive income for the year		**1,067**	**3,893**

Overall Operations			
Basic earnings per share (cents per share)	**8**	1.4	4.3
Diluted earnings per share (cents per share)	**8**	1.4	4.3

The accompanying notes form part of these financial statements.

BALANCE SHEET
As at 30 June 2011

	Note	Consolidated Entity 2011 $000	Consolidated Entity 2010 $000
ASSETS			
Current Assets			
Cash and cash equivalents	**9**	3,070	1,480
Trade and other receivables	**10**	1,527	2,490
Inventories	**11**	6	8
Other current assets	**18**	104	158
TOTAL CURRENT ASSETS		**4,707**	**4,136**
Non-Current Assets			
Investments accounted for using equity method	**12**	92	18
Property, plant and equipment	**16**	1,349	2,194
Deferred tax assets	**21**	113	269
Intangible assets	**17**	2,539	2,471
Other non-current assets	**18**	1	69
TOTAL NON-CURRENT ASSETS		**4,094**	**5,021**
TOTAL ASSETS		**8,801**	**9,157**
Current Liabilities			
Trade and other payables	**19**	1,400	1,778
Financial liabilities	**20**	1,106	1,512
Current tax liabilities	**21**	(162)	268
Short-term provisions	**22**	159	190
TOTAL CURRENT LIABILITIES		**2,503**	**3,748**
Non-Current Liabilities			
Financial liabilities	**20**	200	407
Deferred tax liabilities	**21**	58	15
Long-term provisions	**22**	-	30
TOTAL NON-CURRENT LIABILITIES		**258**	**452**
TOTAL LIABILITIES		**2,761**	**4,200**
NET ASSETS		**6,040**	**4,957**
Equity			
Issued capital	**23**	3,553	3,553
Reserves	**24**	517	744
Retained earnings		1,970	660
TOTAL EQUITY		**6,040**	**4,957**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Note	Consolidated Entity			
		Share Capital $000	Retained Earnings $000	Reserves $000	Total $000
Balance at 1 July 2009		**3,553**	**361**	**750**	**4,664**
Total comprehensive income		-	3,994	(101)	3,893
Subtotal		3,553	4,355	649	8,557
Transactions with owners in their capacity as owners:					
Employee share options	**24**	-	-	95	95
Dividends paid or provided for	**7**	-	(3,695)	-	(3,695)
Subtotal		3,553	660	744	4,957
Balance at 30 June 2010		**3,553**	**660**	**744**	**4,957**
Balance at 1 July 2010		**3,553**	**660**	**744**	**4,957**
Total comprehensive income			1,310	(243)	1,067
Subtotal		3,553	1,970	501	6,024
Transactions with owners in their capacity as owners:					
Employee share options	**24**	-	-	16	16
Balance at 30 June 2011		**3,553**	**1,970**	**517**	**6,040**

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT
For the year ended 30 June 2011

	Note	Consolidated Entity 2011 $000	Consolidated Entity 2010 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		16,821	27,637
Payments to suppliers and employees		(13,197)	(17,172)
Interest received		130	24
Finance costs		(107)	(197)
Income tax paid		(1,239)	(2,715)
Net cash provided by (used in) operating activities	**28**	2,408	7,577
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1	3
Payments for property, plant and equipment		(107)	(212)
Payments for intangible assets		(174)	(116)
Investment in joint venture		(147)	(37)
Net cash provided by (used in) investing activities		(427)	(362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		416	2,450
Repayment of borrowings		(829)	(5,524)
Hire purchase repayments		(7)	(7)
Dividends paid		-	(3,695)
Net cash provided by (used in) financing activities		(420)	(6,776)
Net increase in cash and cash equivalents		1,561	439
Cash and cash equivalents at beginning of financial year		1,480	1,071
Effect of exchange rates on cash holdings in foreign currencies		29	(30)
Cash and cash equivalents at end of financial year	**9**	3,070	1,480

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 1: Statement of Significant Accounting Policies

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

The financial report covers the consolidated entity of Reverse Corp Limited and controlled entities ("consolidated group" or "group"). Reverse Corp Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Reverse Corp Limited and controlled entities comply with all Australian Accounting Standards, which ensures that the financial report comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS).

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

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity of which Reverse Corp Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate. Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility proposed by law.

Reverse Corp Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Reverse Corp Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the Australian Taxation Office on 9 December 2004 that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered into a tax sharing agreement and a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Included in inventories are cards to be sold for use within Tritel payphones.

(d) Property, Plant and Equipment

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

Plant and equipment

Plant and equipment and the calling platform are measured on the cost basis.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, excluding the calling platform, are depreciated on a diminishing value basis over their useful lives to the consolidated entity commencing from the time the assets are held ready for use. The calling platform is depreciated on a straight line basis over its useful life.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	11.25% to 40%
Calling Platform	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

(f) Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost less impairment losses.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative Instruments

The group uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- hedges of highly probably forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

Fair value

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

Impairment

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

(g) Impairment of Non-financial Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Interests in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the group's share of any post-acquisition reserves of associates.

(i) Intangibles

Goodwill

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life ranging from 10 to 20 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development Costs

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. Useful lives are generally 5 years.

Intellectual Property

All other intangible assets are recorded at cost less impairment and have indefinite life.

(j) Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Group companies

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

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where this approximates the rate at the date of the transaction; and
- retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Share-based payment transactions

The group provides benefits to employees (including directors) in the form of share-based payments, whereby employees render services in exchange for rights over shares or options. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares or options granted.

(l) Provisions

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

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(n) Revenue

Revenue from calls is recognised on the day on which the call is completed. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST) and value added tax (VAT).

(o) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

(p) Goods and Services Tax (GST)

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

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

Reverse Corp Limited and its wholly-owned Australian subsidiaries have formed a GST group effective 1 April 2003. The impact of forming a GST group is GST is not charged on taxable supplies between members of the group.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000.

(s) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

For additional details relating to the testing of goodwill impairment refer to Note 17: Intangible Assets.

Note 2: Revenue

	Note	Consolidated Entity	
		2011 $000	2010 $000
Sales revenue			
– Rendering of services		14,648	23,652
Sales revenue		14,648	23,652
Other revenue			
– Interest received from other corporations		130	25
– Other revenue		228	-
Other revenue		358	25

Note 3: Expenses

Direct costs associated with revenue		8,356	10,080
Realised foreign exchange loss/(gain)		(241)	(276)
Unrealised foreign exchange loss/(gain)		5	(1)
Rental expenses on operating leases:			
– Minimum lease payments		432	452
Finance costs:			
– External		107	198

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 4: Income Tax Expense/(Benefit)

	Note	Consolidated Entity 2011 $000	Consolidated Entity 2010 $000
Sales revenue			
(a) The components of tax expense comprise:			
Current tax		816	2,776
Deferred tax	**21**	227	(33)
Under provision in respect of prior years		12	64
		1,055	2,807
Deferred tax expense (benefit) recognised in comprehensive income	**21**	(28)	(235)
(b) The prima facie tax on profit before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit before income tax at 30% (2010: 30%)		710	2,040
Add:			
Tax effect of:			
– Other non-allowable items		44	681
– Share options expensed during year		5	28
– Under provision in respect of prior years		12	64
		771	2,813
Less:			
Tax effect of:			
– Loans forgiven to and from subsidiaries which have been wound up / foreign tax differential		284	(6)
Income tax expense		1,055	2,807
The applicable weighted average effective tax rates are as follows:		45%	41%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 5: Key Management Personnel Remuneration

(a) Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the group's key management personnel for the year ended 30 June 2011. Names and positions held by key management personnel in office at any time during the financial year are:

Directors

Peter Ritchie	Non-executive Chairman
Gary Hillberg	Operations Director
Stephen Jermyn	Non-executive Director
Richard Bell	Non-executive Director

Management Personnel

Paul Jobbins	Chief Executive Officer and Chief Financial Officer
Michael Mallinson	Group Financial Controller
Steven Pearson	Chief Technical Officer
Liam Martin	General Manager – TriTel Australia Pty Ltd
Charles Slaughter	General Manager, Operations (commenced 21 March 2011)
Justin Scott	Chief Technical Officer – United Kingdom (ceased 31 August 2010)
John Bucknell	Managing Director – TriTel Australia Pty Ltd (ceased 2 July 2010)

	Note	Consolidated Entity	
		2011 $000	2010 $000
(b) Remuneration for Key Management Personnel			
Short term employee benefits		1,145	1,302
Post-employment benefits		131	121
Share-based payments		12	36
Termination benefits		89	314
		1,377	1,773

(c) Remuneration Options

There were no options issued during the year as part of any executive's remuneration.

Further details on share-based payments can be found at Note 29: Share-based Payments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 5: Key Management Personnel Remuneration (cont)

(d) Shares issued on Exercise of Remuneration Options

There were no shares issued during the year as a result of options exercised.

(e) Options and Rights Holdings

Number of Options Held by Key Management Personnel

	Balance 1.7.10	Granted as Remuneration	Options Exercised	Other	Balance 30.6.11	Options Vested and Exercisable
Gary Hillberg	180,000	-	-	-	180,000	180,000
Paul Jobbins	750,000	-	-	-	750,000	500,000
Total	930,000	-	-	-	930,000	680,000

	Balance 1.7.09	Granted as Remuneration	Options Exercised	Other	Balance 30.6.10	Options Vested and Exercisable
Gary Hillberg	180,000	-	-	-	180,000	180,000
Paul Jobbins	750,000	-	-	-	750,000	250,000
Total	930,000	-	-	-	930,000	430,000

Options held by key management personnel have exercise prices ranging from $1.99 to $3.00.

(f) Shareholdings

Number of Shares held by Key Management Personnel during the year

	Balance 1.7.10	Granted as Remuneration	Options Exercised	Other (1)	Balance 30.6.11
Peter Ritchie	1,796,465	-	-	1,937,358	3,733,823
Gary Hillberg	250,356	-	-	-	250,356
Stephen Jermyn	1,000,000	-	-	1,901,544	2,901,544
Richard Bell	18,469,044	-	-	1,901,544	20,370,588
Paul Jobbins	110,500	-	-	-	110,500
Total	21,626,365	-	-	5,740,446	27,366,811

Number of Shares held by Key Management Personnel for the year ended 30 June 2010

	Balance 1.7.09	Granted as Remuneration	Options Exercised	Other (1)	Balance 30.6.10 (2)
Peter Ritchie	1,546,465	-	-	250,000	1,796,465
Gary Hillberg	250,356	-	-	-	250,356
Stephen Jermyn	1,000,000	-	-	-	1,000,000
Richard Bell	18,469,044	-	-	-	18,469,044
Shane Donovan	56,920	-	-	-	56,920
Paul Jobbins	110,500	-	-	-	110,500
Total	21,433,285	-	-	250,000	21,683,285

(1) Other refers to net shares purchased or sold during the financial year.

(2) Balance held by Shane Donovan when ceased employment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 6: Auditors' Remuneration

	2011 $000	2010 $000
Remuneration of the auditor of the parent entity for:		
– auditing or reviewing the financial report	61	61
– taxation services provided by related practice of auditor	17	12
Remuneration of other auditors of subsidiaries for:		
– auditing or reviewing the financial report of subsidiaries	9	19

Note 7: Dividends

	Consolidated Entity	
	2011 $000	2010 $000
Distributions Paid		
Fully franked final dividend paid (16 September 2009: 3 cents per share)	-	2,771
Fully franked interim dividend paid (26 March 2010: 1 cent per share)	-	924
	-	3,695
Balance of franking account at year end:	4,652	3,413
– Adjustment for franking credits arising from payment of provision for income tax	(162)	268
Balance of franking account after post balance date adjustments	4,490	3,681

The tax rate at which dividends have been franked is 30%.

Note 8: Earnings per Share

	Consolidated Entity	
	2011 $000	2010 $000
(a) Reconciliation of Earnings to Profit or Loss		
Profit	1,310	3,994
Earnings used to calculate basic EPS	1,310	3,994
Earnings used in the calculation of dilutive EPS	1,310	3,994
(b) Weighted average number of ordinary shares during the year used in calculating basic EPS	92,382,175	92,382,175
	92,382,175	92,382,175
Weighted average number of options outstanding (i)	-	125,687
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	92,382,175	92,507,862

(i) Only those options which were "in-the-money" during the year were included in the weighted average number of outstanding options. At year end there were 895,000 options which were capable of being exercised and a further 750,000 options which had not yet vested.

Note 9: Cash and Cash Equivalents

	Consolidated Entity	
	2011 $000	2010 $000
Cash at bank and on hand	167	141
Short-term deposits	2,903	1,339
	3,070	1,480

For the purposes of the Cash Flow Statement, cash and cash equivalents are comprised as above.
The effective interest rate on cash at bank and short-term bank deposits was 5.1% (2010: 3.7%).

Note 10: Trade and Other Receivables

	Note	Consolidated Entity	
		2011 $000	2010 $000
CURRENT			
Trade receivables	**10a**	1,166	2,414
Sundry receivables		361	76
		1,527	2,490

(a) Current trade receivables are on 30 day terms. No receivables are either past due or impaired. Refer to Note 32 for further information regarding credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 11: Inventories

	Consolidated Entity	
	2011 $000	2010 $000
Inventory at cost	6	8

Note 12: Investments Accounted for using the Equity Method

	Note	Consolidated Entity	
		2011 $000	2010 $000
Associated companies	**15**	92	18

Note 13: Controlled Entities

Unlisted investments, at cost:	Principal activities	Country of Incorporation	Ownership Interest	
			2011 %	2010 %
1800 Reverse Pty Ltd	Reverse Charge Calling Services	Australia	100	100
0800 Reverse Pty Ltd	Reverse Charge Calling Services	Australia	100	100
Reverse Corp. (UK) Limited	Holding Company	United Kingdom	-	100
1800 Reverse Operations Limited	Reverse Charge Calling Services	Ireland	-	100
Revertido Pty Ltd	Dormant	Australia	100	100
Revertido Operaciones, S.L. (iv)	Dormant	Spain	100	100
1800 Reverse Operations Pty Ltd (i)	Service Entity	Australia	100	100
TriTel Australia Pty Limited (i)	Payphone Services	Australia	100	100
0800 Reverse Limited (ii)	Service Entity	United Kingdom	100	100
0800 Collect Limited (ii)	Dormant	United Kingdom	100	100
0800 Reverse (Operations) Limited (iii)	Service Entity	United Kingdom	-	100
Rue Constance SARL (ii)	Dormant	France	-	100

(i) Subsidiary of 1800 Reverse Pty Ltd

(ii) Subsidiary of Reverse Corp. (UK) Limited (2010 only)

(iii) Subsidiary of 0800 Reverse Limited (2010 only)

(iv) Subsidiary of Revertido Pty Ltd

During the year the corporate structure of the group was streamlined with dormant or redundant entities being wound up and struck off, or applied to be struck off. This has resulted in the following entities being removed from the group: Reverse Corp. (UK) Limited, 1800 Reverse Operations Limited, 0800 Reverse (Operations) Limited and Rue Constance SARL. As part of this process the ownership of 0800 Reverse Limited and 0800 Collect Limited was transferred from Reverse Corp. (UK) Limited to the parent entity, Reverse Corp Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 14: Parent Entity Information

	2011 $000	2010 $000
Assets		
Current assets	2,733	1,061
Non-current assets	4,261	9,145
Total Assets	**6,994**	**10,206**
Liabilities		
Current liabilities	797	1,673
Non-current liabilities	-	29
Total Liabilities	**797**	**1,702**
Equity		
Issued capital	3,553	3,553
Retained earnings	2,278	4,601
Reserves		
Option reserve	366	350
Total Equity	**6,197**	**8,504**
Financial Performance		
Profit for the year	(2,323)	2,299
Other comprehensive income	-	-
Total Comprehensive Income	**(2,323)**	**2,299**

Guarantees in relation to the debts of subsidiaries:

Reverse Corp Limited has signed a debt and interest interlocking guarantee in favour of National Australia Bank Limited in relation to financing provided to its subsidiaries, 1800 Reverse Pty Ltd, 1800 Reverse Operations Pty Ltd, 0800 Reverse Pty Ltd, 0800 Reverse Limited, 0800 Collect Limited and TriTel Australia Pty Ltd. At the date of this report $0.9 million was owing to National Australia Bank under this facility.

Note 15: Associated Companies

Unlisted Investments, at cost:	Principal activities	Country of Incorporation	Ownership Interest		Carrying Amount of Investment	
			2011 %	2010 %	2011 $000	2010 $000
Coinmate Pty Ltd	Retail coin collection services	Australia	50	50	92	18
			50	**50**	**92**	**18**

	2011 $000	2010 $000
Movements During the Year in Equity Accounted Investment in Associated Companies		
Balance at beginning of the financial year	18	-
Add: New investments during the year	147	37
Share of associated company's profit after income tax	(73)	(18)
Balance at end of the financial year	**92**	**18**
Equity accounted profits of associates are broken down as follows:		
Share of associates profit before income tax	(73)	(18)
Share of associates income tax expense	-	-
Share of associates profit after income tax	**(73)**	**(18)**
Summarised presentation of Aggregate Assets, Liabilities and Performance of Associates		
Current assets	-	-
Non-current assets	-	-
Total Assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Total Liabilities	**-**	**-**
Net Assets	**-**	**-**
Revenues	-	-
Profit after income tax of associates	**(73)**	**(18)**

The group's ownership interest in Coinmate Pty Ltd at that company's balance date, which was 30 June 2011, was 50%. As consideration for the group's 50% interest in the venture it has agreed to fund the operations of the venture until the completion of a pilot. At balance date no trigger of a commitment of a capital nature had occurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 16: Property, Plant and Equipment

	Consolidated Entity 2011 $000	Consolidated Entity 2010 $000
PLANT AND EQUIPMENT		
Plant and Equipment:		
At cost	5,973	7,033
Accumulated depreciation	(5,348)	(5,828)
	625	**1,205**
Calling Platform:		
At cost	1,242	1,240
Accumulated depreciation	(543)	(284)
	699	**956**
Motor Vehicles:		
At cost	68	68
Accumulated depreciation	(43)	(35)
	25	**33**
Total Property, Plant and Equipment	**1,349**	**2,194**

Movements in Carrying Amounts

	Consolidated Entity			
	Plant and Equipment $000	Calling Platform $000	Motor Vehicles $000	Total $000
Year ended 30 June 2010				
Balance at the beginning of year	1,988	1,091	43	3,122
Additions	28	184	-	212
Disposals	(34)	-	-	(34)
Depreciation expense	(759)	(249)	(10)	(1,018)
Exchange adjustment	(18)	(70)	-	(88)
Carrying amount at the end of year	1,205	956	33	2,194
Year ended 30 June 2011				
Balance at the beginning of year	1,205	956	33	2,194
Additions	84	22	-	106
Disposals	(65)	-	-	(65)
Depreciation expense	(596)	(266)	(8)	(870)
Exchange adjustment	(3)	(13)	-	(16)
Carrying amount at the end of year	625	699	25	1,349

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 17: Intangible Assets

	Consolidated Entity 2011 $000	Consolidated Entity 2010 $000
Goodwill		
Cost	3,565	3,565
Accumulated impairment losses	(1,639)	(1,639)
Net carrying value	**1,926**	**1,926**
Trademarks, Licences and Intellectual Property		
Cost	813	684
Accumulated amortisation	(79)	(75)
Exchange adjustment	(129)	(72)
Net carrying value	**605**	**537**
Development Costs		
Cost	38	38
Accumulated amortisation	(30)	(30)
	8	**8**
Total intangible assets	**2,539**	**2,471**

Movements in Carrying Amounts

	Consolidated Entity			
	Goodwill	Trademarks, Licences & IP	Development Costs	Total
	$000	$000	$000	$000
Year ended 30 June 2010				
Balance at the beginning of year	3,396	508	10	3,914
Additions	-	112	-	112
Amortisation expense	-	(14)	(2)	(16)
Impairment	(1,470)	-	-	(1,470)
Exchange adjustment	-	(69)	-	(69)
Carrying amount at the end of year	1,926	537	8	2,471
Year ended 30 June 2011				
Balance at the beginning of year	1,926	537	8	2,471
Additions	-	129	-	129
Amortisation expense	-	(3)	-	(3)
Impairment	-	-	-	-
Exchange adjustment	-	(58)	-	(58)
Carrying amount at the end of year	1,926	605	8	2,539

Trademarks, licences and development costs have finite useful lives. The current amortisation charges in respect of these intangible assets are included under depreciation and amortisation expense. Intellectual property and goodwill do not have finite useful lives. Impairment expense is included in Other expenses.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 17: Intangible Assets (cont)

Impairment Disclosures

Goodwill is allocated to the following cash-generating units:

	2011 $000	2010 $000
1800 Reverse (Australia)	1,671	1,671
0800 Reverse (United Kingdom)	255	255
TriTel Australia	-	-
Total	**1,926**	**1,926**

The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period with the period extending beyond the fifth year extrapolated using an estimated growth rate.

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets assume no price increases for the life of the model and conservative assumptions for call volumes trends. The cash flows are discounted using an estimated weighted average cost of capital of 12.5%.

The following conservative assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
1800 Reverse (Australia)	10.0%	12.5%
0800 Reverse (United Kingdom)	10.0%	12.5%
TriTel Australia	n/a	12.5%

During 2010 an impairment loss of $1,470,000 was recognised in relation to the group's investment in TriTel Australia Pty Ltd as a result of declining payphone use. While impairment testing indicated there may be some residual goodwill the directors took the decision to fully impair the goodwill associated with the investment to ensure that any future underperformance against expectations does not continually impact reported profit.

Note 18: Other Assets

	Consolidated Entity	
	2011 $000	2010 $000
CURRENT		
Prepayments	104	158
NON-CURRENT		
Deposits	1	69

Note 19: Trade and Other Payables

	Consolidated Entity	
	2011 $000	2010 $000
CURRENT		
Unsecured liabilities		
Trade payables	778	849
Sundry payables and accrued expenses	622	929
	1,400	**1,778**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 20: Financial Liabilities

	Note	Consolidated Entity	
		2011 $000	2010 $000
CURRENT			
Secured liabilities			
Bank loan	**20(b)**	900	1,319
Equipment loan	**20(c)**	198	186
Hire purchase liability	**25**	8	7
		1,106	**1,512**
NON-CURRENT			
Secured liabilities			
Equipment loan	**20(c)**	176	375
Hire purchase liability	**25**	24	32
		200	**407**

The carrying amount of the group's current and non-current borrowings approximate their fair value.

(a) The carrying amounts of non-current assets pledged as security are:

Equipment loans	**20(c)**	383	522
Hire purchase liability	**25**	24	26
		407	**548**

(b) NAB credit facility

Reverse Corp Limited has a facility with National Australia Bank for $967,000. This facility is subject to an annual review and covenant provisions. In addition to standard reporting requirement covenants, financial covenants relate to group minimum net assets, earnings and dividend distributions. No covenants have been breached. The bank holds a fixed and floating charge over the assets of the group.

(c) Equipment loan

On 28 April 2009 1800 Reverse Pty Ltd borrowed $764,757 from HP Financial Services Australia Pty Ltd to fund the purchase of telecommunications equipment. The term of the loan is four years with payments monthly in advance. Interest rates are fixed at 6.92% per annum.

(d) Unused facilities

Credit facility	967	5,000
Amount utilised	(900)	(1,319)
	67	**3,681**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 21: Tax

	Consolidated Entity	
	2011 $000	2010 $000
(a) Current		
Income tax	(162)	268

	Balance Sheet		Comprehensive Income		Income Statement	
	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000
(b) Non-Current						
Consolidated Entity						
Deferred tax liabilities:						
Prepaid expenses	(10)	(14)			4	(14)
Accrued Income	-	-			-	14
Other	(48)	(1)			(47)	8
Gross deferred income tax liability	(58)	(15)				
Deferred tax assets:						
Accrued expenses	-	-			-	(8)
Provisions	48	62			(14)	(8)
Other	65	207	28	235	(170)	41
Gross deferred income tax assets	113	269				
Deferred income tax charge			28	235	(227)	33

Due to the wind up of dormant foreign entities during 2011 the group has realised capital tax losses. As a result a deferred tax of asset of $748,000 has been generated. This asset, and the corresponding deferred tax benefit, have not been recognised but are available for the tax consolidated group to utilise should the group incur a capital tax gain in future years.

Note 22: Provisions

	Consolidated Entity
	$000
Provision for Employee Entitlements	
Opening balance at 1 July 2010	220
Movement in provisions	(61)
Balance at 30 June 2011	**159**

Analysis of Total Provisions

	Consolidated Entity	
	2011 $000	2010 $000
Provision for Employee Entitlements		
Current	159	190
Non-current	-	30
	159	**220**

Provision for Employee Entitlements

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

Note 23: Issued Capital

	Note	Consolidated Entity	
		2011 $000	2010 $000
92,382,175 (2010: 92,382,175) Fully paid Ordinary shares	**23(a)**	3,553	3,553
		3,553	**3,553**

Effective 1 July 1998, the Corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly, the consolidated entity does not have authorised capital nor par value in respect of its issued capital.

(a) Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	2011 No.	**2010 No.**
At the beginning of reporting period	92,382,175	92,382,175
Shares issued during the year	-	-
At reporting date	92,382,175	92,382,175

Note 23: Issued Capital (cont)

(b) Options

(i) For information relating to the Reverse Corp Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 29.

(ii) For information relating to share options issued to executives during the financial year, refer to Note 29.

(c) Capital Management

Management controls the capital of the group in order to maintain an appropriate debt to equity ratio, provide shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Financial covenants imposed by National Australia Bank include the requirement to maintain minimum net assets.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Management felt it was prudent to reduce the level of gearing in the group due to declining trading conditions and to maintain financial flexibility for future growth. The gearing ratios for the year ended 30 June 2011 and 30 June 2010 are as follows:

	Note	Consolidated Entity	
		2011 $000	2010 $000
Total borrowings	**20**	1,306	1,919
Less cash and cash equivalents	**9**	(3,070)	(1,480)
Net debt		(1,764)	439
Total equity		6,040	4,957
Total capital		4,276	5,396
Gearing ratio		(41.2%)	8.1%

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 24: Reserves

	Consolidated Entity		
	Option Reserve	Foreign Currency Translation Reserve	Total
At 1 July 2009	**255**	**495**	**750**
Currency translation differences	-	(336)	(336)
Deferred tax (expense) benefit	-	235	235
Share-based payments	95	-	95
At 30 June 2010	**350**	**394**	**744**
Currency translation differences	-	(271)	(271)
Deferred tax (expense) benefit	-	28	28
Share-based payments	16	-	16
At 30 June 2011	**366**	**151**	**517**

Option Reserve

The option reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries and is also used to record the net profits hedged in these subsidiaries. Exchange differences arising on monetary items that form part of the parent entity's net investment in foreign operations are also recognised in the reserve.

Note 25: Capital and Leasing Commitments

	Note	Consolidated Entity 2011 $000	Consolidated Entity 2010 $000
(a) Hire Purchase Commitments			
Payable — minimum payments			
– not later than 12 months		10	11
– greater than 1 year but not greater than 5 years		26	37
Minimum payments		36	48
Less future finance charges		(4)	(7)
	20	**32**	**39**

	Note	Consolidated Entity 2011 $000	Consolidated Entity 2010 $000
(b) Operating Lease Commitments as Lessee			
Non-cancellable operating leases contracted for but not capitalised in the financial statements			
Minimum lease payments			
– not later than 12 months		221	365
– greater than 1 year but not greater than 5 years		170	416
		391	**781**

(a) Hire purchase commitments relate to a motor vehicle financing. The 5 year hire purchase contract matures in May 2013. A balloon payment of approximately $16,000 is due at maturity.

(b) Operating leases are held for the office in Brisbane, Australia. The leases have an annual increase in line with CPI and an option for renewal at the end of the fourth year, in April 2013.

(c) At balance date the group had no other capital commitments.

Note 26: Contingent Liabilities and Contingent Assets

Reverse Corp Limited has signed a debt and interest interlocking guarantee in favour of National Australia Bank Limited in relation to financing provided to its subsidiaries, 1800 Reverse Pty Ltd, 1800 Reverse Operations Pty Ltd, 0800 Reverse Pty Ltd, 0800 Reverse Limited, 0800 Collect Limited and TriTel Australia Pty Ltd. At the date of this report $900,000 was owing to National Australia Bank under this facility.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 27: Segment Reporting

The group has identified its operating segments based on the internal reports that are reviewed and used by management and the Board of Directors in assessing performance and determining the allocation of resources.

The group is managed primarily on the basis of the geographic markets in which it operates as these markets have different pricing and operating structures. The operating segments are therefore determined on the same basis.

The following table presents the operating segments for the years ended 30 June 2011 and 2010.

	Australia	New Zealand	United Kingdom	Republic of Ireland	Inter Segment Eliminations	Group
Year ended 30 June 2011	$000	$000	$000	$000	$000	$000
REVENUE						
External revenue	9,192	111	5,232	113	-	14,648
Other revenue	100	-	128	-	-	228
Inter-segment revenue	141	-	-	-	(141)	-
Interest revenue	158	-	45	-	(73)	130
Total revenue	9,591	111	5,405	113	(214)	15,006
RESULT						
Segment result	1,472	(398)	1,092	199	-	2,365
OTHER SEGMENT INFORMATION						
Segment assets	17,640	39	4,042	386	(13,306)	8,801
Segment liabilities	8,065	326	1,512	424	(7,566)	2,761
Interest in associates	92	-	-	-	-	92
Share of net profits of associates	(73)	-	-	-	-	(73)
Interest expense	141	-	2	37	(73)	107
Capital expenditure	89	-	17	-	-	106
Depreciation and amortisation	796	-	6	71	-	873
Impairment	53	-	-	-	(53)	-
Income tax expense	619	(119)	570	(15)	-	1,055

Note 27: Segment Reporting (cont)

	Australia	United Kingdom	Republic of Ireland	Inter Segment Eliminations	Group
Year ended 30 June 2010	$000	$000	$000	$000	$000
REVENUE					
External revenue	12,156	11,302	194	-	23,652
Inter-segment revenue	134	-	-	(134)	-
Interest revenue	92	54	-	(121)	25
Total revenue	12,382	11,356	194	(255)	23,677
RESULT					
Segment result	1,646	5,487	(332)	-	6,801
OTHER SEGMENT INFORMATION					
Segment assets	17,439	7,213	38	(15,533)	9,157
Segment liabilities	6,604	4,786	868	(8,058)	4,200
Interest in associates	18	-	-	-	18
Share of net profits of associates	(18)	-	-	-	(18)
Interest expense	245	73	-	(120)	198
Capital expenditure	198	14	-	-	212
Depreciation and amortisation	845	127	62	-	1,034
Impairment	1,470	-	-	-	1,470
Income tax expense	1,203	1,527	77	-	2,807

Basis of accounting for purposes of reporting by operating segments

All amounts reported to the Board of Directors are determined in accordance with accounting policies that are consistent with those adopted for the annual financial statements of the group.

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of accumulated depreciation, amortisation and impairment. Segment liabilities consist principally of payables, employee benefits, accrued expenses, and provisions. Segment assets and liabilities do not include deferred income taxes.

Parent entity costs are included in the Australian segment information only and not allocated across each segment. Segment revenues, expenses and results include transfers between segments. All such transactions are eliminated on consolidation of the group's financial statements. The prices charged on inter-segment transactions are at an arms length.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 28: Cash Flow Information

	Consolidated Entity	
	2011 $000	2010 $000
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Profit after income tax	1,310	3,994
Non-cash flows in profit		
Amortisation	3	16
Depreciation	870	1,018
Impairment	-	1,470
Net (profit)/loss on disposal of property, plant and equipment	64	33
Share-based payments	16	95
Other non cash outflows	113	23
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	1,063	2,081
(Increase)/decrease in prepayments	46	(18)
(Increase)/decrease in other assets	(225)	152
Increase/(decrease) in trade payables and accruals	2	(643)
Increase/(decrease) in income taxes payable	(430)	(151)
Increase/(decrease) in deferred taxes payable	198	(31)
Increase/(decrease) in other payables	(127)	(519)
Increase/(decrease) in provisions	(214)	(40)
Foreign currency movement	(281)	96
Cash flow from operations	**2,408**	**7,577**

Note 29: Share-based Payments

	Consolidated Entity			
	2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	1,645,000	$2.95	1,895,000	$2.60
Granted/Reinstated	-	-	-	-
Cancelled	-	-	-	-
Lapsed	-	-	(250,000)	$0.28
Exercised	-	-	-	-
Outstanding at year-end	1,645,000	$2.95	1,645,000	$2.95
Exercisable at year-end	895,000	$1.40	645,000	$0.97

The options outstanding at 30 June 2011 had a weighted average exercise price of $2.95 and a weighted average remaining contractual life of five years. Exercise prices range from $0.50 to $5.00.

There were no options granted during the year.

Included under employee benefits expense in the income statement is $17,000 relating in full to equity-settled share-based payment transactions. The amount recognised as an expense represents the proportion of the fair value of the options recognised over the vesting period of the options. One tranche of options has vesting conditions based on the establishment of a business in Spain. Other options vest by December 2011 and expire by December 2018.

Note 30: Events After the Balance Sheet Date

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

The financial report was authorised for issue on 29 August 2011 by the Board of directors.

Note 31: Related Party Transactions

	Consolidated Entity	
	2011 $000	2010 $000
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties:		
(a) Subsidiary Companies		
At balance date intercompany receivable balances existed between Reverse Corp Limited and its wholly owned subsidiaries. The balance represents the provision of working capital in order to manage operating businesses. The intercompany receivable balance is interest bearing and repayable on demand. At 30 June 2011 the net amount owed to the company by its subsidiaries was $671,000. (2010: $4,176,000)		
(b) Key Management Personnel		
1800 Reverse Pty Ltd and TriTel Australia Pty Ltd lease office premises from Bell Co Pty Ltd, a company which Non-executive Director Mr Richard Bell controls.		
Operating lease payments:	217	183
There are no amounts outstanding at year end.		

Note 32: Financial Instruments

Financial risk management objectives and policies

The group's financial instruments consist mainly of bank loans, hire purchase agreements, cash and short term deposits.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Audit and Risk Committee, in conjunction with management, oversees policies in relation to financial instrument risk management. Future expectations of funding requirements and potential exposures are considered regularly.

Interest rate risk

The group's exposure to market risk for changes in interest rates relates primarily to the group's debt obligations.

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

	Consolidated Entity	
	2011 $000	2010 $000
Financial Assets		
Cash and cash equivalents	2,927	1,371
	2,927	**1,371**
Financial Liabilities		
Bank loans	900	1,919
	900	**1,919**
Net Exposure	**2,027**	**(548)**

The other financial instruments of the consolidated entity that are not included in the above table are non-interest bearing and are therefore not subject to interest rate risk.

There are no other financial instruments held by foreign subsidiaries that are not already translated through the foreign currency translation reserve. On this basis, there is no further impact to the consolidated group to that already disclosed.

The group's policy is to manage its finance costs using a mix of fixed and variable rate debt. At 30 June 2011 approximately 31% of the group's borrowings are fixed. The average variable interest rate on bank loans at year end is 2.7%. Variable loans drawn at year end are denominated in British pounds.

The group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 32: Financial Instruments (cont)

Financial risk management objectives and policies (cont)

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

At 30 June 2011, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit would have been affected as follows:

Judgements of reasonable possible movements:	Post Tax Profit Higher/(Lower)	
	2011 $000	2010 $000
Consolidated		
+1% (100 basis points)	14	-
-0.5% (50 basis points)	(7)	-

Minimal net exposure to variable interest rates during the year ended 30 June 2010 resulted in sensitivity of post tax profit below $1,000.

The movements in profit are due to higher/lower interest on variable rate debt and cash balances.

Foreign currency risk

As a result of significant operations in the United Kingdom, the group's balance sheet can be affected by movements in the GBP/AUD exchange rates. The group seeks to mitigate the effect of its foreign currency exposure by borrowing in British pounds.

The group has an immaterial foreign currency exposure to Euro with approximately $21,000 held in Euro denominated bank accounts at year end. No sensitivity analysis or disclosure has been prepared in relation to this exposure.

The group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

At balance date, the consolidated entity had the following exposure to British pound foreign currency that is not designated in cash flow hedges:

	Consolidated Entity	
	2011 $000	2010 $000
Financial Assets		
Cash and cash equivalents	204	384
Trade and other receivables	929	1,747
	1,133	**2,131**
Financial Liabilities		
Trade and other payables	519	546
Bank loans and overdrafts	900	1,319
	1,419	**1,865**
Net Exposure	**(286)**	**266**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 32: Financial Instruments (cont)

Financial risk management objectives and policies (cont)

Foreign currency risk

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date. At 30 June 2011, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonable possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2011 $000	2010 $000	2011 $000	2010 $000
Consolidated				
+1% (100 basis points)	6	9	3	(3)
-0.5% (50 basis points)	(3)	(5)	(1)	1

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Credit risk

The credit risk of financial assets of the consolidated entity which have been recognised in the Balance Sheet is generally the carrying amount.

With respect to receivables, the group manages its credit risk by maintaining strong relationships with a limited number of quality customers. The risk is mitigated with specific clauses within the contracts entered into with these quality customers.

The group has one major debtor in each country in which it operates and as such has concentrated credit risk. However the credit quality of each counterparty is considered appropriate and accordingly the group's exposure to credit risk is considered to be low.

Liquidity risk

The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, leases and available credit lines.

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

Note 32: Financial Instruments (cont)

Financial risk management objectives and policies (cont)

Liquidity risk

	Within 1 Year	1 to 5 Years	Over 5 years	Total
Year ended 30 June 2011	$000	$000	$000	$000
Consolidated financial assets:				
Cash	3,070	-	-	3,070
Receivables	1,527	-	-	1,527
Total Financial Assets	4,597	-	-	4,597
Consolidated financial liabilities:				
Bank loans	900	-	-	900
Trade and sundry payables	1,400	-	-	1,400
Hire purchase liabilities and equipment loans	207	200	-	407
Total Financial Liabilities	2,507	200	-	2,707
Net Maturity	**2,090**	**(200)**	**-**	**1,890**

Note 33: Prior Period Error

Comparative figures have been corrected to reflect the appropriate treatment of income tax on foreign exchange movements in intercompany investments. The following is a summary of the major line items that have been amended:

Consolidated Statement of Comprehensive Income for the year ended 30 June 2010:

Income tax expense increased from $2,572,000 to $2,807,000.

Profit for the period reduced from $4,229,000 to $3,994,000.

Income tax benefit on comprehensive income increased from nil to $235,000.

Basic and Diluted earnings per share reduced from 4.6 cents to 4.3 cents.

Consolidated Balance Sheet as at 30 June 2010:

Reserves increased from $509,000 to $744,000.

Retained earnings reduced from $895,000 to $660,000.

Statement of Changes in Equity:

Total Comprehensive Income for the year ended 30 June 2010

Retained earnings reduced from $895,000 to $660,000.

Reserves increased from $509,000 to $744,000.

Total Comprehensive Income remains unchanged at $3,893,000.

The Comparative figures in Notes 4, 8, 21, 24, 27 and 28 to the Financial Statements have also been amended to reflect the changes listed above. The prior period error and subsequent correction of comparative figures applies from 1 July 2009. The balances of Retained Earnings and Reserves at 30 June 2009 and 1 July 2009 remain unchanged from previous financial reports and have not been re-stated. As the balance sheet as at 30 June 2009 has not changed the directors have determined that there would be no benefit in disclosing a third balance sheet as required by AASB101 Presentation of Financial Statements.

Note 34: Change in Accounting Policy

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.

Significant effects on current, prior or future periods arising from the first-time application of the standards discussed above in respect of presentation, recognition and measurement of accounts are described in the following notes.

AASB 2009–5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

This Standard made amendments to various AASB Standards including AASB 101: Presentation of Financial Statements and AASB 107: Statement of Cash Flows.

The amendments to some Standards resulted in accounting changes for presentation, recognition or measurement purposes, while some amendments only related to terminology and editorial changes. The following principal amendments are considered to be applicable to the company, although these changes are not expected to materially affect the company's financial statements.

AASB 101	**Current / non-current classification of convertible instruments:**
	Under this amendment, in classifying a liability as current because the entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period, if there are terms that could result in its settlement by issuing equity instruments (at the option of the counterparty), those terms do not affect the liability's classification.
AASB 107	**Classification of expenditures on unrecognised assets:**
	Under this amendment, in classifying cash flows arising from investing activities, only those expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.

Standards and interpretations not yet effective which have not been early adopted by the group.

At the date of authorisation of the financial statements, the following Australian Accounting Standards / Accounting Interpretations have been issued or amended and are applicable to the group but are not yet effective and have not been adopted in preparation of the financial statements.

Note 34: Change in Accounting Policy (cont)

The expected impact on adoption of the standards is shown below:

Name of standard	Impact	Adoption date
AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards Arising From AASB 9	These standards are applicable retrospectively and amend the classification and measurement of financial assets. The group has not yet determined the potential impact on the financial statements.	Applicable for reporting periods commencing on or after 1 January 2013.
AASB 124: Related Party Disclosures	No changes are expected to materially affect the group.	Applicable for reporting periods commencing on or after 1 January 2011.
AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards Arising from Reduced Disclosure Requirements	This standard allows for some general purpose financial statements to have reduced disclosure requirements. As the group is a for-profit private sector entity with public accountability it will not qualify for reduced disclosures.	Applicable for reporting periods commencing on or after 1 July 2013.
AASB 2009-12: Amendment to Australian Accounting Standards	This standard makes a number of editorial amendments to a range of Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The standard also amends AASB 8 to require entities to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. This standard is not expected to impact the company.	Applicable for reporting periods commencing on or after 1 January 2011.
AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirements	This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard is not expected to impact the company.	Applicable for reporting periods commencing on or after 1 January 2011.
AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This standard is not expected to impact the company.	Applicable for annual reporting periods commencing on or after 1 January 2011.
AASB 2010-5: Amendments to Australian Accounting Standards	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.	Applicable for annual reporting periods beginning on or after 1 January 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 34: Change in Accounting Policy (cont)

Name of standard	Impact	Adoption date
AASB 2010-6: Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets	This standard is not expected to impact the company.	Applicable for annual reporting periods beginning on or after 1 July 2011.
AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	As noted above, the company has not yet determined any potential impact on the financial statements from adopting AASB 9.	Applies to periods beginning on or after 1 January 2013.
AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when an investment property is measured using the fair value model under AASB 140: Investment Property. The amendments are not expected to impact the company.	Applies to periods beginning on or after 1 January 2012.
AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	This standard is not expected to impact the company.	Applies to periods beginning on or after 1 July 2011.
AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters	This standard is not expected to impact the company.	Applies to periods beginning on or after 1 January 2013.

Management anticipate that all the above pronouncements will be adopted in the group's financial statements for the first period beginning after the effective date of the pronouncement.

Note 35: Company Details

The registered office and principal place of business of the company is:

23 McDougall Street
Milton QLD 4064

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the attached financial statements and notes are in accordance with the *Corporations Act 2001* and:

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

   (b) Include an explicit statement in the notes to the financial statements that the financial statements comply with International Financial Reporting Standards (IFRS); and

   (c) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated entity;

2. the Chief Executive Officer and Chief Financial Officer has declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) The financial statements and notes for the financial year give a true and fair view.

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

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

Peter D Ritchie

Mr Peter D Ritchie
Chairman

Dated this 29th day of August 2011

GrantThornton

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF REVERSE CORP LIMITED

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
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Report on the financial report

We have audited the accompanying financial report of Reverse Corp Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

1 The financial report of Reverse Corp Limited is in accordance with the Corporations Act 2001, including:

   a giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   b complying with Australian Accounting Standards and the Corporations Regulations 2001; and

2 The financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 7 to 11 of the directors' report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Reverse Corp Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A F Newman
Director – Audit & Assurance

Brisbane, Dated 29 August 2011

SHAREHOLDER INFORMATION

This information is extracted from share registry records as at 21 September 2011.

(a) Distribution schedule

Ordinary shares	Number of shares
1 - 1,000	147,912
1,001 - 5,000	1,171,448
5,001 - 10,000	1,600,367
10,001 - 100,000	12,409,680
100,001 and over	77,052,768
Total	**92,382,175**

Number of holders with less than a marketable parcel: 920

(b) Twenty largest shareholders

Rank	Name	Units	% of Issued capital
1.	RICHARD LESLIE BELL	18,259,777	19.8
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	9,923,801	10.7
3.	CITICORP NOMINESS PTY LIMITED	6,226,842	6.7
4.	J P MORGAN NOMINEES AUSTRALIA LIMITED	5,857,261	6.3
5.	JP MORGAN NOMINEES AUSTRALIA LIMITED	5,712,726	6.2
6.	NATIONAL NOMINEES LIMITED	5,132,160	5.6
7.	MR PETER DAVID RITCHIE + MRS LEIGH MARGARET RITCHIE	3,614,123	3.9
8.	MR EDWARD VAN HEEMST + MRS MARILYN ELAINE VAN HEEMST	2,500,000	2.7
9.	BELL CO PTY LTD	1,901,544	2.1
10.	SCJ PTY LTD	1,901,544	2.1
11.	MR STEPHEN CRAIG JERMYN	1,000,000	1.1
12.	MR TREVOR JOHN KENNEDY & MS CHRISTINA LAIDLEY KENNEDY & MR DANIEL KENNEDY	1,000,000	1.1
13.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	848,889	0.9
14.	MR IANAKI SEMERDZIEV	800,000	0.9
15.	MS NILAVAN VONKHORPORN	790,000	0.9
16.	VYSCARD PTY LTD	638,382	0.7
17.	DKR DIRECT PTY LTD	536,031	0.6
18.	FREEMAN SUPER CO PTY LIMITED	508,429	0.6
19.	ALLINGHAM HOLDINGS PTY LTD	500,000	0.5
20.	MR DONALD IAN FRASER	470,558	0.5
	Total: Twenty largest holders	**68,122,067**	**73.7**
	Remainder	**24,260,108**	**26.3**
	Total	**92,382,175**	**100.0**

(c) Substantial shareholders

Rank	Name	Units	% of Issued capital
1	Richard Leslie Bell	20,370,588	22.1
2	Orbis Investment Management (Australia) Pty Ltd	16,798,104	18.2
3	CC Asia Absolute Return Master Fund Ltd	9,766,451	10.6

(d) Voting rights

At general meetings, each member entitled to vote may vote in person, or by proxy or attorney.

A holder of a fully paid ordinary share at any general meeting is entitled to one vote on a show of hands and one vote for each fully paid share of which he or she is a holder on a poll.

CORPORATE DIRECTORY

Directors
Mr Peter D Richie – Chairman
Mr Gary B Hillberg
Mr Richard L Bell
Mr Stephen C Jermyn

Audit and Risk Committee
Mr Stephen C Jermyn – Chairman
Mr Peter D Ritchie
Mr Richard L Bell

Remuneration and Nomination Committee
Mr Peter D Richie – Chairman
Mr Stephen C Jermyn
Mr Richard L Bell

Company Secretary
Mr Paul S Jobbins
Mr Michael R Mallinson

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Facsimile: +61 7 3295 0366

Principal Place of Business
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Milton QLD 4064

Share Registry
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