

**SINO SECURITIES INTERNATIONAL LIMITED**  
**(ABN 99 006 620 739)**

**APPENDIX 4E**  
**PRELIMINARY FINAL REPORT**

Please note the following information required under ASX Listing Rule 4.3A.

1. Current reporting period                    30 June 2003  
     Previous corresponding period        30 June 2002

**2. Results for announcement to the market**

		Compared with the previous corresponding period			
2.1	Revenues from ordinary activities	DOWN	21.3%	to	\$1,902,580
2.2	Loss from ordinary activities after tax attributable to members	DOWN	63.3%	to	(\$1,047,085)
2.3	Net loss for the period attributable to members	DOWN	63.3%	to	(\$1,047,085)
2.4	No dividends is proposed or paid during the reporting period and the previous corresponding period.				
2.5	Not applicable				
2.6	For explanation relating to item 2.1, 2.2 and 2.3 please see <b>item 14</b>				

**3. STATEMENT OF FINANCIAL PERFORMANCE**

For the year ended 30 June 2003

	Note	30 Jun 03 \$	30 Jun 02 \$
<b>Revenues from ordinary activities</b>	3.1	<b>1,902,580</b>	2,417,564
Sharebroking and underwriting expenses		<b>(38,847)</b>	(49,011)
Virtual Internet Service network operating expense		<b>(561,382)</b>	(1,175,099)
Marketing expense		<b>(60,075)</b>	(123,510)
Employee benefits expense		<b>(2,205,621)</b>	(2,736,205)
Depreciation and amortisation expenses	3.2	<b>(451,854)</b>	(478,694)
Research and development expense		<b>(3,683)</b>	(75,967)
Share of net losses of associates accounted for using the equity method	4.3	<b>(3,922)</b>	–
Other expenses from ordinary activities	3.2	<b>(973,564)</b>	(1,081,475)
<b>Profit (Loss) from ordinary activities before income tax expense</b>		<b>(2,396,368)</b>	(3,302,397)
Income tax expense relating to ordinary activities	3.3	–	–
<b>Net profit (loss)</b>		<b>(2,396,368)</b>	(3,302,397)
Net loss attributable to outside equity interest		<b>1,349,283</b>	452,053
<b>Net profit (loss) attributable to members of the Parent Entity</b>		<b>(1,047,085)</b>	(2,850,344)
<b>Total revenues, expenses and valuation adjustments attributable to members of the Parent Entity and recognised directly in equity</b>		<b>–</b>	–
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(1,047,085)</b>	(2,850,344)
<b>Basic earnings (loss) per share</b>	3.4	<b>(7.0) cents</b>	(19.6) cents
<b>Diluted earnings (loss) per share</b>	3.4	<b>(7.0) cents</b>	(19.6) cents

*Please refer to Attachment "A" for notes to the Statement of Financial Performance.*

**4. STATEMENT OF FINANCIAL POSITION**

As at 30 June 2003

	Note	30 Jun 03 \$	30 Jun 02 \$
<b>Current assets</b>			
Cash assets		69,779	951,330
Receivables	4.1	146,255	126,318
Other financial assets	4.2	163,611	1,611
Other	4.5	46,815	99,447
<b>Total current assets</b>		<b>426,460</b>	<b>1,178,706</b>
<b>Non-current assets</b>			
Other financial assets	4.2	2,913,000	3,000,040
Investments accounted for using the equity method	4.3	6,118	–
Property, plant and equipment	4.4	523,456	963,777
<b>Total non-current assets</b>		<b>3,442,574</b>	<b>3,963,817</b>
<b>Total assets</b>		<b>3,869,034</b>	<b>5,142,523</b>
<b>Current liabilities</b>			
Payables	4.6	622,512	342,317
Provisions	4.7	346,756	277,765
<b>Total current liabilities</b>		<b>969,268</b>	<b>620,082</b>
<b>Non-current liabilities</b>			
Provisions	4.7	6,721	20,828
<b>Total non-current liabilities</b>		<b>6,721</b>	<b>20,828</b>
<b>Total liabilities</b>		<b>975,989</b>	<b>640,910</b>
<b>Net assets</b>		<b>2,893,045</b>	<b>4,501,613</b>
<b>Equity</b>			
Parent Entity interest			
– Contributed equity	4.8	11,248,753	11,248,753
– Reserves	4.9	16,643,873	16,563,918
– Accumulated losses	4.9	(24,943,753)	(23,816,300)
Total Parent Entity interest in equity		2,948,873	3,996,371
Total outside equity interest		(55,828)	505,242
<b>Total equity</b>		<b>2,893,045</b>	<b>4,501,613</b>

Please refer to Attachment "B" for notes to the Statement of Financial Position.

**5. STATEMENT OF CASH FLOWS**

For the year ended 30 June 2003

	Note	30 Jun 03 \$	30 Jun 02 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,058,516	1,141,630
Cash payments in the course of operations		(3,369,898)	(5,077,211)
Interest received		17,507	112,705
<b>Net cash (used in) operating activities</b>	5.1	<u>(2,293,875)</u>	<u>(3,822,876)</u>
<b>Cash flows from investing activities</b>			
Purchase of financial assets		–	(40)
Proceeds from disposal of financial assets		203,064	348,203
Purchase of property, plant and equipment		(11,083)	(49,745)
Payment for investment in associates		(10,000)	–
Payment for investment in controlled entities		(56,637)	–
Proceeds from disposal of investment in controlled entities		500,000	–
<b>Net cash provided by (used in) investing activities</b>		<u>625,344</u>	<u>298,418</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		751,980	420,000
Proceeds from borrowing		35,000	–
<b>Net cash provided by financing activities</b>		<u>786,980</u>	<u>420,000</u>
Net increase (decrease) in cash held		(881,551)	(3,104,458)
Add opening cash brought forward		951,330	4,055,788
Closing cash carried forward	5.2	<u>69,779</u>	<u>951,330</u>

*Please refer to Attachment "C" for notes to the Statement of Cash Flows*

**6. Details of individual and total dividends**

The directors do not recommend the declaration of a dividend for the year ended 30 June 2003.

**7. Details of Dividend or distribution reinvestment plans**

Not applicable.

**8. Statement of retained earnings**

Please refer to Attachment "B" note 4.9(c)

	<u>Full year ended</u>	
	30 Jun 03	30 Jun 02
<b>9. Net tangible asset per security</b>	<b>19.7 cents</b>	<b>26.7 cents</b>

**10. Details of entities over which control was lost during the year**

10.1	Name of the entity	(a) Sino Resources Pty Ltd (b) SSI China Resources Pty Ltd (c) Sino Business Services Pty Ltd and its subsidiaries
10.2	The date of loss of control	(a) 31 October 2002 (b) 31 October 2002 (c) 14 February 2003
10.3	Contribution of the entity to the consolidated entity's results from ordinary activities during the current period	(a) immaterial (b) immaterial (c) 629,985
	Profit (Loss) of the entity during the whole of the previous corresponding period	(a) immaterial (b) immaterial (c) \$298,107

**11. Details of associates and joint venture entities**

11.1	Name of the associate or joint venture entity	(a) Pharmasafe Pty Ltd (b) The Best Mix Entertainment Group Pty Ltd	
		<b>Current period \$A'000</b>	<b>Previous corresponding period - \$A'000</b>
11.2	Details of the consolidated entity's percentage holding in the entity	(a) 40% (b) 50%	(a) 40% (b) -
11.3	Aggregate share of profits (losses) of the entity	(a) immaterial (b) immaterial	(a) - (b) -
	- Details of contribution to net profit	(a) immaterial (b) immaterial	(a) - (b) -

**12. Any other significant information**

Please see item 14 of this Appendix.

**13. Foreign companies**

Not Applicable.

**14. Commentary on the results for the period****Basis of Accounts Preparation**

The consolidated financial statements have been prepared on the basis of historical costs in accordance with applicable Accounting Standards. The accounting policies have been consistently applied on a going concern basis.

**Review of Operations**

The Consolidated Entity's operating loss for the year ended 30 June 2003 was mainly attributable to:

- (a) GoConnect Ltd's ("GCN"), a subsidiary, continuing research and development of the GoTrek technology, international marketing and business development expenses, and the establishment of content partnerships and content distribution channels through affiliate partners as part of an Internet media strategy; and
- (b) the negative sentiment in the investment market against new equity capital raisings, and decline in the volume and value of transactions in all major equity markets including that of Australia, contributed to a decline in the net brokerage and underwriting income of the Company.

Despite the adverse factors in the market, the Consolidated Entity's operating results were improved by 63.3% to \$1.05 million loss in the year ended 30 June 2003 from \$2.85 million loss in the previous corresponding period. The operating results have incorporated the financial results of the Company's 63.7% interest in GCN, for the year ended 30 June 2003. However, if GCN's results were not consolidated into the Consolidated Entity's results, the Consolidated Entity's net loss for the year would be reduced to \$88,826.

The improved operating results were as a result of GCN's strategic management decision made in early 2001 to switch GCN's media strategy from that of an Australian based free ISP audience to one based on a global audience drawn from affiliates. The following factors also contributed to the improved operating results:

- the reduction of GCN's VISP direct network operating costs after the securing of a new supplier contract;
- the receipt of a R&D Tax Offset Rebate by GCN. This rebate received from the Australian Government, related to an application for the financial year ended 30 June 2002, and is also expected to be available during the current financial year based on GCN's eligible R&D expenditure in the year to 20 June 2003; and
- the disposal of subsidiaries, Sino Business Services Pty Ltd and its controlled entities, for a consideration of \$500,000.

**GoConnect Ltd ("GCN")**

GCN has in this reporting period achieved significant progress in the course of extending the distribution of the GoTrek Technology application to the wireless Internet environment and to mobile telephony devices. GoTrek for the wireless Internet has been developed to be compatible with not just the GPRS network enabled Pocket PC phone such as the O2 xda phone, and the Microsoft Smartphone in Australia, but GoTrek is also compatible with any Pocket PC with Internet connectivity and which runs the Mobile Windows 2002 and higher operating system.

- A multi-channel video subscription service branded as m-Vision, was launched at the end of the financial year ended 30 June 2003. This unique wireless application for Pocket PCs and Pocket PC phones enables these devices to be converted effectively to portable video players with video content updated regularly either over fixed-line or wireless Internet, and viewable by the subscribers anytime, anywhere even when they are offline. As m-Vision is available for subscription online, GCN's target subscription market has become global. Research indicates that the annual sales of Pocket PCs are running at the rate of 120,000 units in Australia and 10 million worldwide.

- GCN achieved a break-through for m-Vision to the mobile phone market when O2 (Online) Limited, a division of the second largest mobile carrier in the UK and German markets, mmO2 plc, agreed in July to bundle m-Vision for purchasers of the O2 xda mobile phone for the Malaysian market. GCN is currently in advanced discussions with a number of other organizations both in Australia and in Asia to achieve further bundling arrangements.

GCN announced on 24 July 2003 that it had joined forces with QSoft Consulting Ltd to launch an adult video subscription service to the global gay and lesbian community. This service has gone live on m-Vision as well as on the OurworldTV (powered by GoTrek) platform and is branded as The Gay Channel, Rainbow Adult. QSoft owns and operates a number of the largest gay and lesbian meeting portals under the Gaydar and Rainbow Network brands. With the substantial market share and distribution power of the Gaydar and Rainbow Network brands to over 2 million people worldwide, this new video subscription channel can be marketed very cost effectively around the world. Separately, GCN and the ASX listed Gallery Global Networks Ltd (GBN) also agreed on 30 July 2003 to launch an adult video entertainment subscription service branded as “The Adult Channel”. Powered by GCN’s GoTrek technology and drawing on the substantial content library of GBN, the service is delivered over the fixed line Internet to GCN’s GoTrek EV Internet TV platform as well as the newly launched m-Vision service to the Pocket PC and Pocket PC phone markets.

The above initiatives have been developed to add new streams of revenue to GCN in the current financial year.

GCN raised \$500,350 in September 2002 and \$251,630 in May 2003 of additional capital by private placement of new shares, demonstrating that it continues to be able to access additional capital in its own right when required, including capital that may be secured arising from current discussions with major investors from the media industry. Further, the Parent Entity has also provided a continuing credit facility to GCN.

#### **Multelink Australia Ltd (“Multelink”)**

Multelink entered into a voluntary administration on 27 June 2003 with the objective of restructuring the company’s liabilities. As advised by Multelink’s management, a proposed deed of company arrangement has been considered by the creditors committee and is expected to be accepted by the requisite majority of creditors. Upon acceptance, the amount outstanding to trade and non-trade creditors will then be reduced by an average of 40% with the balance of the larger liabilities payable over 18 months. Trade creditors and convertible note holders have agreed to this level of debt reduction. Related party creditors have agreed to enter into a deed of postponement and subordination for the duration of the deed of arrangement. Despite entering into the voluntary administration, Multelink’s management advises that the company has suffered no significant loss of customers. Revenue has been maintained at approximately \$1.1 million per month with continuing positive EBITDA on a monthly basis since the beginning of calendar 2003, again despite the company’s operating under the current voluntary administration.

#### **Pharmasafe Ltd (“Pharmasafe”)**

Progress regarding the development of Pharmasafe’s business has been slow and is subject to the success of the current application to the Australian Therapeutic Goods Administration of a herbal based product that has positive effects for patients affected by hepatitis B. A third application for approval of this product has been lodged in August 2003 and the result is not expected for another two to three months.

## Segment Information

## (a) Primary Segment – Business segment

	Investment Banking		Equity Investments		Internet Media		Elimination		Consolidated Entity	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>										
Operating revenue derived from external customers	121,921	122,381	–	–	564,576	704,967	–	–	686,497	827,348
Other revenue	86,409	19,584	144,985	339,257	242,219	99,595	–	–	473,613	458,436
Inter-segment revenue	37,599	1,875	4,415	–	–	–	(42,014)	(1,875)		
Total segment revenue	<b>245,929</b>	<b>143,840</b>	<b>149,400</b>	<b>339,257</b>	<b>806,795</b>	<b>804,562</b>	<b>(42,014)</b>	<b>(1,875)</b>		
Unallocated revenue									742,470	1,131,780
Total revenue									<b>1,902,580</b>	<b>2,417,564</b>
<b>Results</b>										
Segment result	<b>(735,038)</b>	<b>(837,859)</b>	<b>16,926</b>	<b>269,431</b>	<b>(2,350,310)</b>	<b>(3,859,829)</b>	<b>(37,599)</b>	<b>–</b>	<b>(3,106,021)</b>	<b>(4,428,257)</b>
Unallocated expenses									(32,817)	(5,920)
Unallocated revenue									742,470	1,131,780
Net loss									<b>(2,396,368)</b>	<b>(3,302,397)</b>
<b>Assets</b>										
Segment assets	<b>603,448</b>	<b>379,954</b>	<b>2,914,341</b>	<b>3,002,832</b>	<b>575,640</b>	<b>1,759,045</b>	<b>(224,415)</b>	<b>–</b>	<b>3,869,014</b>	<b>5,141,831</b>
Unallocated assets									20	692
Total assets									<b>3,869,034</b>	<b>5,142,523</b>
<b>Liabilities</b>										
Segment liabilities	<b>455,660</b>	<b>371,886</b>	<b>15,436</b>	<b>–</b>	<b>504,893</b>	<b>269,024</b>	<b>–</b>	<b>–</b>	<b>975,989</b>	<b>640,910</b>
Unallocated liabilities									–	–
Total liabilities									<b>975,989</b>	<b>640,910</b>
<b>Other segment information</b>										
Acquisition of property, plant and equipment and other non-current assets	–	211	–	–	12,636	61,418	–	–	12,636	61,629
Depreciation	23,940	29,645	–	–	427,914	449,049	–	–	451,854	478,694
Non-cash expenses other than depreciation and amortisation	203,628	37,963	87,040	193	28,377	(45,635)	–	–	319,045	(7,479)

Segment information for the prior year ended 30 June 2002 was reclassified to reflect changes in the basis for identifying segments and changes in the basis for allocating revenues and expenses to segments for the year ended 30 June 2003.

**15. Statement in relation to the accounts which are in the process of being audited**

The information included within this report is in the process of being audited by the external auditors.

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Richard Li  
Managing Director

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12 September 2003  
Date

## ATTACHMENT “A”

## Notes to the Statement of Financial Performance

Note	30 Jun 03 \$	30 Jun 02 \$
<b>Note 3.1 – Revenues from Ordinary Activities</b>		
<b>(a) Revenues from operating activities</b>		
Revenue from services	910,207	827,347
Proceeds on disposal of share investments	228,857	348,203
Dividend income		
– Other corporations	–	4
	<u>1,139,064</u>	<u>1,175,554</u>
<b>(b) Revenues from non-operating activities</b>		
Interest income		
– Other corporations	15,934	104,703
Gain on consolidation on loss of control of subsidiaries	661,689	–
Gain on consolidation on changes in equity interest in a controlled entity	80,368	1,131,781
Other	5,525	5,526
	<u>763,516</u>	<u>1,242,010</u>
<b>Total revenues from ordinary activities</b>	<u>1,902,580</u>	<u>2,417,564</u>

**Note 3.2 – Expenses and Losses (Gains)****(a) Expenses**

Provision for employee entitlements	54,884	(32,547)
Depreciation of non-current assets	451,854	478,694
Rental expense relating to operating lease	118,404	148,232

**(b) Losses (Gains)**

Net loss (gain) on disposal of property, plant and equipment	–	871
Net loss (gain) on disposal of financial assets	31,381	(325,381)

**(c) Significant items**

Profit (Loss) from ordinary activities before income tax expense includes the following material revenues and expenses whose disclosure is relevant in explaining the financial performance of the Consolidated Entity:

(i) Gain on consolidation on changes in equity interest in a controlled entity	80,368	1,131,781
(ii) Gain on consolidation on disposal of investment in controlled entities	611,689	–

During the financial year, the Consolidated Entity disposed of its entire interest in Sino Business Services Pty Ltd (“SBS”) and its controlled entities for a consideration of \$500,000. In accordance with the Australian Accounting Standards, the accumulated losses of SBS and its controlled entities recognised on consolidation since the Parent Entity acquired its ownership interest would be eliminated on consolidation and hence a net gain of \$661,689 on consolidation resulted.

## ATTACHMENT “A”

## Notes to the Statement of Financial Performance (continued)

Note	30 Jun 03 \$	30 Jun 02 \$
<b>Note 3.3 – Income Tax Expense</b>		
<b>(a) The prima facie tax (credit) on profit (loss) from ordinary activities before income tax is reconciled to the income tax (credit) as follows:</b>		
Prima facie tax payable (credit provided) on profit (loss) from ordinary activities before income tax at 30 per cent	(718,910)	(990,719)
<b>Tax effect of Permanent Differences</b>		
Gain on change in equity interest in a controlled entity	(24,110)	(339,534)
Gain on loss of control of subsidiaries	(198,508)	–
Non-deductible expenses	3,008	607
Future income tax benefits not brought to account	938,520	1,329,646
Income tax expense (benefit) attributable to operating profit (loss)	–	–
<b>(b) Future income tax benefits not brought to account comprise:</b>		
Tax losses	5,642,173	4,718,398
Timing differences	109,366	8,243,094
	<b>5,751,539</b>	<b>12,961,492</b>
<b>Note 3.4 - Earnings (Losses) per security</b>		
<b>(a) The following reflects the income (loss) data used in the calculation of basic and diluted earnings (loss) per share</b>		
Net profit (loss)	(2,396,368)	(3,302,397)
Net loss (profit) attributable to outside equity interest	1,349,283	452,053
Earnings (Loss) used in the calculation of basic earnings (loss) per share	(1,047,085)	(2,850,344)
<i>Add:</i>		
Imputed earnings after income tax on funds receivable on exercise of options issued	–	–
Earnings (Loss) used in the calculation of diluted earnings (loss) per share	(1,047,085)	(2,850,344)
	<b>Number of shares</b>	<b>Number of shares</b>
<b>(c) The following reflects the share data used in the calculation of basic and diluted earnings (loss) per share</b>		
Weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share	14,957,130	14,519,322
<i>Effect of dilutive securities:</i>		
Weighted average number of potential ordinary shares relating to share options issued	–	–
Weighted average number of potential ordinary shares used in the calculation of diluted earnings (loss) per share	14,957,130	14,519,322

## ATTACHMENT “B”

## Notes to the Statement of Financial Position

Note	30 Jun 03 \$	30 Jun 02 \$
<b>Note 4.1 – Receivables</b>		
<b>Current</b>		
Trade debtors	6,009	13,428
Other receivables	65,246	37,890
Amounts other than trade debts receivable from related parties:		
Directors and director-related entities		
– directors	75,000	75,000
	<u>146,255</u>	<u>126,318</u>

Terms and conditions relating to the above financial instruments are as follows:

- (i) Trade debtors are non-interest bearing and generally on 14 to 30 day terms.
- (ii) Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.

**Note 4.2 – Other Financial Assets****Current**

Investments in shares listed on a prescribed stock exchange, at cost or directors' valuation	<u>163,611</u>	1,611
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Listed shares are readily saleable with no fixed terms. There would be no material capital gains tax payable if these assets were sold at the reporting date.

**Non-current**

Investments in associates, at cost	–	40
Investments in unlisted shares:		
(i) At directors' valuation	–	27,161,576
Provision for diminution	–	(27,161,576)
	–	–
(ii) At cost	4.2(a) <u>2,913,000</u>	3,000,000
	<u>2,913,000</u>	<u>3,000,040</u>

(a) Investment in unlisted shares, at cost

The Consolidated Entity held a 19.4% (2002: 20%) interest in Multelink Australia Ltd for \$2,913,000 (2002: 3,000,000).

## ATTACHMENT “B”

## Notes to the Statement of Financial Position (continued)

	Note	30 Jun 03 \$	30 Jun 02 \$
<b>Non-Current</b>			
Investment in associates	4.3(a)	<u>6,118</u>	–

**(a) Investments in associates**

Interests are held in the following associates

Name of company	Principal activity	Ownership interest		Consolidated carrying amount	
		2003 %	2002 %	2003 \$	2002 \$
The Best Mix Entertainment Group Pty Ltd	Entertainment, music talent search	50	–	6,118	–
Pharmasafe Pty Ltd	Manufacture, license, market and distribute Chinese medicines	40	40	–	–
				<u>6,118</u>	–

**(i) Movements during the year in equity accounted investment in associates**

Balance at beginning of the financial year	–	–
Add: New investments during the year	10,000	–
Add: Investee became associate subsequent to initial acquisition of an ownership interest	40	–
Less: Share of associates' loss from ordinary activities after income tax	(3,922)	–
Carrying amount at the end of the financial year	<u>6,118</u>	–

**(ii) Retained earnings (Accumulated losses) attributable to associates**

Share of associates' profits (loss) from ordinary activities before income tax expense	(3,922)	–
Share of associates' income tax expense	–	–
Share of associates' profits (loss) from ordinary activities after related income tax	(3,922)	–
Share of retained profits at beginning of the financial year	–	–
Share of retained profits (losses) at end of the financial year	<u>(3,922)</u>	–

**(iii) Reserve attributable to associates** – –**(iv) Share of associates' contingent liabilities** – –**(v) Share of associates' expenditure commitments** – –

## ATTACHMENT “B”

## Notes to the Statement of Financial Position (continued)

	Note	30 Jun 03 \$	30 Jun 02 \$
<b>Note 4.4 – Property, Plant and Equipment</b>			
Office and computer equipment – at cost		<b>1,619,667</b>	1,713,320
Accumulated depreciation		<b>(1,247,685)</b>	(944,834)
	4.4(a)	<b>371,982</b>	768,486
Motor vehicles – at cost		<b>215,832</b>	215,832
Accumulated depreciation		<b>(176,379)</b>	(164,925)
	4.4(a)	<b>39,453</b>	50,907
Furniture and fittings – at cost		<b>246,707</b>	247,917
Accumulated depreciation		<b>(135,004)</b>	(103,933)
	4.4(a)	<b>111,703</b>	143,984
Staff amenities – at cost		<b>891</b>	1,550
Accumulated depreciation		<b>(573)</b>	(1,150)
	4.4(a)	<b>318</b>	400
Total written down amount		<b>523,456</b>	963,777

## (a) Reconciliation for 2003

	Office & Computer Equipment	Motor Vehicles	Furniture & Fittings	Staff Amenities	Total
	\$	\$	\$	\$	\$
Carrying amount at beginning of year	768,486	50,907	143,984	400	963,777
– Additions	12,319	–	317	–	12,636
– Adjustment	(1,103)	–	–	–	(1,103)
– Depreciation expense	(407,720)	(11,454)	(32,598)	(82)	(451,854)
Carrying amount at end of year	<b>371,982</b>	<b>39,453</b>	<b>111,703</b>	<b>318</b>	<b>523,456</b>

## Note 4.5 – Other Assets

## Current

ASIC refundable deposit	<b>20,000</b>	20,000
Prepayments	<b>26,815</b>	79,447
	<b>46,815</b>	99,447

## ATTACHMENT “B”

## Notes to the Statement of Financial Position (continued)

	Note	30 Jun 03 \$	30 Jun 02 \$
<b>Note 4.6 – Payables</b>			
<b>Current</b>			
Trade creditors		118,198	18,091
Other creditors		377,904	123,304
Withholding tax payable		101,457	43,540
Accruals		24,953	157,382
		<u>622,512</u>	<u>342,317</u>

Terms and conditions relating to the above financial instruments are as follows:

- (i) Trade creditors are non-interest bearing and are normally settled on 14 to 30 day terms.
- (ii) Other creditors are non-interest bearing and have an average term of 18 months.
- (iii) Accruals are non-interest bearing and have an average term of 90 days.

**Note 4.7 – Provisions****Current**

Employee entitlements	4.10	<u>346,756</u>	<u>277,765</u>
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**Non-current**

Employee entitlements	4.10	<u>6,721</u>	<u>20,828</u>
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**Note 4.8 – Contributed Equity****(a) Issued and paid up capital**

Fully paid ordinary shares		11,220,253	11,220,253
Partly paid ordinary shares with 49 cents per share outstanding		28,000	28,000
Partly paid ordinary shares with 79.9 cents per share outstanding		500	500
		<u>11,248,753</u>	<u>11,248,753</u>

**(b) Share options**

During the financial year, no options were issued over ordinary shares. At the end of the financial year, there was nil (2002: nil) unissued ordinary shares in respect of which options were outstanding.

**Note 4.9 – Reserves and Retained Profits (Accumulated Losses)**

General reserve	4.9(a)	16,641,873	16,561,505
Forfeited shares reserve	4.9(b)	<u>2,000</u>	<u>2,413</u>
		<u>16,643,873</u>	<u>16,563,918</u>
Accumulated losses	4.9(c)	<u>(24,943,753)</u>	<u>(23,816,300)</u>

## ATTACHMENT “B”

## Notes to the Statement of Financial Position (continued)

Note	30 Jun 03 \$	30 Jun 02 \$
<b>Note 4.9 – Reserves and Retained Profits (Accumulated Losses) (continued)</b>		
<b>(a) General reserve</b>		
(i) Nature and purpose of reserve		
The general reserve contains amounts of retained profits arose from gain on reduction of equity interest in a controlled entity.		
(ii) Movements in reserve		
Balance at the beginning of the financial year	16,561,505	15,429,724
Transfer from retained profits	80,368	1,131,781
Balance at the end of the financial year	<u>16,641,873</u>	<u>16,561,505</u>
<b>(b) Forfeited shares reserve</b>		
(i) Nature and purpose of reserve		
The forfeited share reserve is used to record shares forfeited.		
(ii) Movements in reserve		
Balance at the beginning of the financial year	2,413	2,413
Movements during the year	(413)	–
Balance at the end of the financial year	<u>2,000</u>	<u>2,413</u>
<b>(c) Accumulated losses</b>		
Balance at the beginning of the financial year	(23,816,300)	(19,834,175)
Net profit (loss) attributable to members of the Parent Entity	(1,047,085)	(2,850,344)
Total available for appropriation	(24,863,385)	(22,684,519)
Aggregate of amounts transferred to the general reserve	(80,368)	(1,131,781)
Balance at the end of the financial year	<u>(24,943,753)</u>	<u>(23,816,300)</u>

**NOTE 4.10 - EMPLOYEE BENEFITS****(a) Employee benefit and related on-costs liabilities**

– Included in Other creditors and Accruals	4.6	278,274	143,097
– Provision (current)	4.7	346,756	277,765
– Provision (non-current)	4.7	6,721	20,828
		<u>631,751</u>	<u>441,690</u>

**(b) Employee benefit and related on-costs assets**

– Included in other debtors	4.1	920	–
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## ATTACHMENT “C”

## Notes to the Statement of Cash Flows

	30 Jun 03 \$	30 Jun 02 \$
<b>Note 5.1 - Reconciliation of cash flows from operations with operating profit (loss) after income tax</b>		
Operating profit (loss) after income tax	(2,396,368)	(3,302,397)
<b>Non-cash flows in operating profit (loss):</b>		
Net (profit) loss on disposal of financial assets	31,381	(325,381)
Net (profit) loss on disposal of property, plant and equipment	–	457
Depreciation of non-current assets	451,854	478,694
Gain on changes in equity interest in a controlled entity	(80,368)	(1,131,781)
Net (profit) loss on disposal of investments in controlled entities	(661,689)	–
Net loss of associates	3,922	–
Write off of forfeited share reserve	(413)	–
<b>Changes in assets and liabilities, net of the effects of purchase and disposal of controlled entities:</b>		
(Increase) Decrease in receivables	5,856	234,988
(Increase) Decrease in prepayments	52,321	542,500
(Increase) Decrease in property, plant and equipment	1,103	–
Increase (Decrease) in payables and accruals	185,725	(262,125)
Increase (Decrease) in provision for employee entitlement	54,884	(32,547)
Increase (Decrease) in withholding tax payable	57,917	(25,284)
<b>Net cash (used in) operating activities</b>	<b>(2,293,875)</b>	<b>(3,822,876)</b>
<b>Note 5.2 - Reconciliation of cash</b>		
Cash balance comprises:		
– Cash at bank	69,779	301,330
– Deposits at call	–	650,000
	<b>69,779</b>	<b>951,330</b>

**Note 5.3 - Non-cash financing and investing activities**

There was no non-cash financing and investing activities during the financial year.

**Note 5.4 - Financing facilities**

There are no credit facilities with any financial institutions.