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Independent Audit Report to members of P.O.S. Media Online Limited

Scope

The financial report and directors' responsibility
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for P.O.S. Media Online Limited (the company) and the consolidated entity, for the year ended 31 December 2002. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

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

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

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

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

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Qualification

Note 1 discusses a number of matters that may affect the ability of the company and the consolidated entity to continue as a going concern. In that note, the directors state that in their opinion the going concern basis used in the preparation of the financial report is appropriate. Further, the directors have stated in their Directors' Declaration, which is included in the financial report, that there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable. However, the Statement of Financial Position as at 31 December 2002 has been prepared on a liquidation basis, other than the classification of certain assets as non-current. The liquidation basis of preparation makes adjustments to the Statement of Financial Position relating to the recoverability and classification of recorded asset amounts, and to the amounts and classification of liabilities, to reflect the fact that the company and consolidated entity may be unable to pay their debts as and when they become due and payable, and may be required to realise their assets and extinguish their liabilities other than in the normal course of business.

In our opinion, the going concern basis of preparation described in Note 1 is inconsistent with liquidation basis actually used in preparing the Statement of Financial Position. However, because the Statement of Financial Position has been prepared on a liquidation basis, there are no further adjustments to the financial report necessary to reflect that the going concern basis of preparation should not be used, other than the reclassification of non-current assets to current assets.

Qualified Audit opinion

In our opinion, except for the matters identified in the qualification paragraph above, the financial report of P.O.S. Media Online Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of P.O.S. Media Online Limited and the consolidated entity at 31 December 2002 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

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Tim Eddy
Partner
Melbourne
11 August 2003