TechStar Limited

A.C.N. 089 206 986

Financial Report

for the year ended 30 June 2003

Chairman's Report

It is as frustrating to your Directors as it must be to you to note that the language of this Report is so much about prospects and not enough about achievement.

There has been a great deal of activity, promotion, selling and efforts to stimulate interest, but the results fall far short of what we want to achieve.

Medteq (CPR Ezy Kit)

Promotions have been given to Commonwealth and State Departments of Health, rescue product distributors, health and safety organisers who train paramedical people, the NRMA and other auto organisations, researchers, and so on throughout Australia, the US, the UK, Europe and Asia, particularly China. In all relevant countries, approvals from Government authorities have been forth coming. While the verbal response is favourable, the orders are only coming slowly.

Sportzwhistle

J Hudson and Co (Acme Whistles), the largest worldwide manufacture and distributor of whistles used in all sorts of situations, is pressing on with promotion and sales. We hope to see some useful results within 6 months.

The second product, a handheld small personal alarm whistle (called the Guardian), has equally been well received and should show results in the same time span. Promotion on other markets and for a variety of applications is underway.

Reomate

Reomate has taken much longer to get to market testing than we would have wished. It is undergoing tests and hopefully will go to market within weeks.

The Company

The Directors have decided that the main object of our activities will be to take new products to the point where they can prove market acceptance and so confer a value on the shares of the subsidiary company which develops and markets them. Having added that value, we shall then seek to sell the product or the business for a worthwhile figure, thus freeing up cash for the development of new products and of course paying dividends to our very patient shareholders.

Conclusion

The Management and Board of Directors have been working very hard and consistently on all of this. I have never known such a committed, talented and energetic group of people. I want to express warmest appreciation and thanks to all of them for their hard work and commitment to the Company.

There is a resolution to issue 362,730 shares to Mr. David Hunt, Chief Executive Officer as part of his contract of employment. His annual remuneration is restricted by the cash availability of the company. He has done an excellent job in promoting TechStar and its products in what we all know to be difficult conditions. He enjoys the complete support of his colleagues and our appreciation for his commitment to the company. I would urge you to support this resolution.

Given that so much time has passed, when we actually achieve real positive results, we plan to report the details directly to you as well as reporting the information to the Australian Stock Exchange.

John B. Reid AO

DIRECTORS' REPORT

The Directors present their report on the consolidated financial report for the year ended 30 June 2003.

DIRECTORS

The names and details of the Directors of the Company in office during the financial year and until the date of this report are:

J.B. Reid, A.O., LL.B, Hon. D. Bus (C Sturt), Hon. Ph. D. (Qld), Hon. D.Univ (QUT), CPE, FAICD, FAIM. (Chairman)	Mr Reid was appointed Non-Executive Chairman in August 1999. He is a highly regarded Australian businessman. He is Emeritus Chairman of the Australian Graduate School of Management, Bestcare Foods Limited, and Business Management Limited. He has significant previous commercial and financial experience as Chairman of James Hardie Industries Limited, Deputy Chairman of Qantas Airways Limited, a Director of Broken Hill Proprietary Limited (BHP), Coles Myer Limited, Barclays Australia Limited, and a member of the International Advisory Board of the Swiss Banking Corporation. Mr Reid is also a Life Governor of the Australian Institute of Management.
B.P. Jones, B Bus Mgt, FAIM, ASIA (Non-Executive Director)	Mr Jones joined the Company as Non-Executive Director in August 1999. He has been involved in investment banking for over 20 years, with the past 15 years at Director and Managing Director level with local and international investment banks. He has specialised in the raising of venture and development capital for smaller companies, including the preparation of business plans, financial structuring, and equity raising. He is currently a Director of Tomato Technologies Limited, BestCare Foods Limited and Business Management Limited.
J.W. Laurie, B. Ec, FCPA, FAIM (Non-Executive Director)	Mr. Laurie joined the company as Non-Executive Director in January 2000. Mr. Laurie has significant experience in manufacturing and marketing in a wide variety of industries, both domestic and international. He is currently Chairman of Pyrmont Raw Materials Pty Ltd, and Skansen Holdings Ltd, and Director of Wealth Management Limited. He was previously an Executive Director of Australian Cement Ltd, General Manager of CSR Ltd's Building Materials Division and Sugar Marketing Division, and Managing Director of Melcann Ltd
A.J. Hanmer (Non-Executive Director)	Mr. Hanmer joined the company as Non-Executive Director in December 2001. Mr Hanmer has over 25 years senior marketing experience and a strong track record of company management, acquisitions and leveraging new technologies to build professional organisations. He has been Senior Vice President and Director of McCann Erickson Worldwide and Regional Director of Asia South Pacific, as well as Chairman of McCann Erickson Australia, working internationally with global companies. He is currently Director of Queensland Thoroughbred Racing Board and Director of Endeavour Foundation.
P.M. O'Neill, (Resigned)	Mr O'Neill resigned as Managing Director on 27th August 2002.

All Directors shown were in office for the entire year and up to the date of this report, unless otherwise stated.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES

The principal activities during the year, in each entity within the consolidated entity were technology research and development, commercialisation and intellectual property ownership.

There was no significant change in the nature of these activities during the year. The company is a company limited by shares and incorporated and domiciled in Australia.

RESULTS AND DIVIDENDS

The operating loss from ordinary activities after income tax attributable to members of TechStar Limited ('TechStar') was $385,780 (2002: loss $2,693,492). The operating loss from ordinary activities after income tax of the consolidated entity for the year ended 30 June 2003 was $1,890,168 (2002: loss $3,841,671).

The Directors do not recommend the payment of any dividend for the year ended 30 June 2003.

REVIEW OF OPERATIONS

The consolidated entity is currently bringing three products to market. They are CPR Ezy, SportzWhistle, and Reo-mate.

Medteq generated the majority of the company's revenues during the year. These revenues came from more than fifteen countries, including Australia, China, Greece and Italy. However new major sales agreements were signed with substantial distributors in USA, UK and Europe and these should lead to a significant increase in sales volumes.

Subsequent to the end of the year, Medteq Innovations has received CPREzy orders and payments from Italy, Greece and the Philippines. Orders are currently being finalised in the USA with our new distribution network.

Development of SportzWhistle has progressed well during the year. J. Hudson & Co (Whistles) Ltd, the largest whistle manufacturer and distributor in the world, is the global distributor for the "SportzWhistle" product. Hudson have demonstrated the "SportzWhistle" electronic whistle to European and International sporting conventions in the past 12 months. Hudson arranged for one of our directors to visit the UK mid September 2003, with a view to finalising orders and deposits for Sportzwhistle

As a separate matter, Hudson has entered into a heads of agreement for a joint venture agreement with TechStar, for the production and global marketing/distribution of the "Guardian" product, a personal alarm, based on the unique high dB technology in the "SportzWhistle". Hudson has undertaken market research for both the "SportzWhistle" and "Guardian" and have predicted they will both be high volume sales products. The "Reomate" is now undergoing field-testing after some delays in final completion. Keen interest for the global distribution rights has being expressed by an Australian tool manufacturer, and an international distributor. It is expected that presentations to these interested external equipment manufacturers and distributors will occur late October 2003.

CHANGES IN STATE OF AFFAIRS

There were no changes in the state of affairs.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On the 6 August 2003, $140,000 worth of shares were issued to former director Peter O'Neill, as detailed in a Deed of Settlement and Release signed on 27th August 2002, and approved by shareholders at the 2002 Annual General Meeting. Shares were calculated by reference to the average of the closing prices of TechStar shares on the ASX for the five trading days immediately preceding 6 August 2003. Accordingly, 555,556 shares were issued.

On the 1 July 2003 125,000 unlisted options were granted to each lender IRSF Pty Ltd, Daviros Pty Ltd and A. Naylor as consideration for the three parties lending $50,000 each to TechStar Limited in the year ended 30 June 2003.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

DIRECTORS' REPORT

SHARE OPTIONS

Employee share options

As at the date of this report there were 90,000 unissued ordinary shares under options. Refer to note 24 of the financial statements for further details of options outstanding. During the financial year there were 240,000 options @ $0.50 were forfeited by staff who resigned.

Listed share options

As at the date of this report there were no listed options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year, the Company has paid a premium in respect of a contract insuring all the Directors and Officers against a liability incurred in their role as Directors and Officers of the Company. The insurance contract prevents disclosure of the liability or amount of the premium paid.

DIRECTORS' MEETINGS

The numbers of meetings of Directors and meetings of committees of Directors held during the year, and the number of meetings attended by each Director were as follows:

	DIRECTORS' MEETINGS	MEETINGS OF COMMITTEES AUDIT	MEETINGS OF COMMITTEES REMUNERATION
Number of meetings held:	12	2	1
Number of meetings attended:			
J.B. Reid	12	2	1
B.P. Jones	11	2	1
J.W. Laurie	11	n/a	1
A.J. Hanmer	11	n/a	n/a

The Company has an Audit Committee and a Remuneration Committee.
The members of the Audit Committee are Mr J.B. Reid and Mr B.P. Jones. The members of the Remuneration Committee are Mr J.B. Reid, Mr B.P. Jones and Mr J.W. Laurie.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

Equity instruments of Directors

(i) As at the date of this report the interests in the equity instruments of the Company held by Directors of the reporting entity and their director related entities were:

	Ordinary Shares Fully Paid
J. B. Reid	5,577,439
B. P. Jones	5,432,392
J. W. Laurie	295,920
A.J. Hanmer	250,000
	11,555,751

(ii) Subsequent to balance date Mr Peter O'Neill was issued ordinary shares in TechStar Limited to the value of $140,000, calculated by reference to the average of the closing prices of TechStar Shares on the ASX for the five trading days immediately preceding 6 August 2003.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers periodically by reference to relevant market conditions, with the overall objective of ensuring maximum stakeholder benefit. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be beneficial for the recipient without creating undue cost for the Company.

To assist in achieving these objectives, the Remuneration Committee relates the nature and amount of Non-Executive Directors' and officers' emoluments to the Company's financial and operational performance.

Details of the nature and amount of each element of the emolument of each Director of the Company for the financial year are as follows:

Emoluments of Directors of the Company

	ANNUAL EMOLUMENTS		LONG TERM EMOLUMENTS	
	Base Salary/Fees	Other	Superannuation	Total
	$	$	$	$
J. B. Reid	60,000	-	-	60,000
B. P. Jones	40,000	-	-	40,000
J.W. Laurie	40,000	-	-	40,000
A.J. Hanmer	40,000	-	-	40,000
P.M. O'Neill	65,868	-	-	65,868

Messrs Reid, Jones, Laurie and Hanmer have not been paid their emoluments during the year due to the tight cashflow position of the company and have agreed to defer payments until 1st July 2004. Although an agreement has been reached with TechStar, it may be that during the year the deferred payments will be paid when the cash position improves.

During the year Messrs Laurie and Hanmer were issued 250,000 shares each, as approved at the 2002 annual general meeting. On the date of issue TechStar Limited shares were trading on the ASX at approximately 18 cents each.

Emoluments of Executives of the Company and Consolidated Entity

During the year the D.P. Hunt was paid $123,676.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

No material contracts involving Directors' interests were entered into during or at the end of the financial year, other than the transactions detailed in note 31 of the financial report.

CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of TechStar support and have adhered to the principles of corporate governance.

The company's corporate governance statement is contained in the additional ASX information section of this annual report.

Signed for and on behalf of the Board in accordance with a resolution of the Directors.

Brian P Jones
Director

Brisbane, 30 September 2003

STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
Sales revenue	2	430,216	507,589	-	-
Cost of sales		277,773	263,111	-	-
Gross profit		152,443	244,478	-	-
Other revenue	2	96,450	65,281	1,035,727	1,269,105
Sales and marketing expenses		207,808	219,224	489	3,999
Administration expenses – writedowns		-	323,418	162,414	2,432,628
Administration expenses		1,759,099	2,450,559	1,102,142	1,431,521
Product research & development expenses		169,783	1,156,459	-	-
Less capitalised research & development expenses	12	(163,185)	(106,012)	-	-
Borrowing costs	3	165,556	107,782	156,462	94,449
LOSSES FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		(1,890,168)	(3,841,671)	(385,780)	(2,693,492)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	-	-		-
LOSSES FROM ORDINARY ACTIVITIES AFTER INCOME TAX		(1,890,168)	(3,841,671)	(385,780)	(2,693,492)
Net losses attributable to outside equity interests	21	(648,824)	(1,670,368)	-	-
NET LOSSES ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY	20	(1,241,344)	(2,171,303)	(385,780)	(2,693,492)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(1,241,344)	(2,171,303)	(385,780)	(2,693,492)

		cents	cents		
Basic loss per share	27	(3.1)	(5.7)		
Diluted loss per share	27	(3.1)	(5.7)		

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
CURRENT ASSETS					
Cash assets	22	**68,980**	332,943	**19,465**	299,719
Receivables	5	**8,977**	28,725	**755**	8,254
Inventories	7	**293,538**	333,524	**-**	-
Other assets	8	**13,652**	28,646	**-**	5,994
TOTAL CURRENT ASSETS		**385,147**	723,838	**20,220**	313,967
NON-CURRENT ASSETS					
Receivables	6	**-**	-	**6,012,096**	4,934,841
Other financial assets	9	**-**	-	**3,008,582**	3,008,582
Plant and equipment	10	**50,494**	120,648	**47,796**	112,150
Intangible assets	11	**827,016**	1,181,931	**-**	-
Research and development	12	**1,114,874**	957,828	**-**	-
TOTAL NON-CURRENT ASSETS		**1,992,384**	2,260,407	**9,068,474**	8,055,573
TOTAL ASSETS		**2,377,531**	2,984,245	**9,088,694**	8,369,540
CURRENT LIABILITIES					
Payables	13	**596,942**	732,370	**217,285**	473,901
Interest-bearing liabilities	14	**120,538**	1,068,969	**120,538**	1,060,219
Provisions	15	**20,056**	73,376	**19,657**	73,160
TOTAL CURRENT LIABILITIES		**737,536**	1,874,715	**357,480**	1,607,280
NON-CURRENT LIABILITIES					
Payables	16	**517,083**	-	**517,083**	-
Interest-bearing liabilities	17	**1,956,454**	52,904	**1,890,555**	52,904
TOTAL NON-CURRENT LIABILITIES		**2,473,537**	52,904	**2,407,638**	52,904
TOTAL LIABILITIES		**3,211,073**	1,927,619	**2,765,118**	1,660,184
NET ASSETS (DEFICIENCY)		**(833,542)**	1,056,626	**6,323,576**	6,709,356
EQUITY					
Parent entity interest					
Contributed equity	18	**6,263,478**	6,263,478	**6,263,478**	6,263,478
Reserves	19	**-**	-	**3,714,573**	3,714,573
Accumulated losses	20	**(5,436,053)**	(4,194,709)	**(3,654,475)**	(3,268,695)
Total parent entity interest		**827,425**	2,068,769	**6,323,576**	6,709,356
Outside equity interest	21	**(1,660,967)**	(1,012,143)	**-**	-

STATEMENT OF FINANCIAL POSITION

TOTAL EQUITY	**(833,542)**	1,056,626	**6,323,576**	6,709,356

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
NET CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**632,960**	529,983	**-**	-
Payments to suppliers and employees		**(1,562,113)**	(2,442,046)	**(851,135)**	(1,207,147)
Interest received		**2,791**	14,839	**2,369**	14,404
Borrowing costs		**(34,363)**	(79,525)	**(30,780)**	(66,190)
Research and development expenditure		**(169,783)**	(38,560)	**-**	22,166
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	22(a)	**(1,130,508)**	(2,015,309)	**(879,546)**	(1,236,767)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of plant, equipment and financial assets		**3,467**	-	**2,689**	-
Acquisition of plant and equipment		**(1,775)**	(35,001)	**(1,775)**	(5,729)
Loans to associates		**-**	-	**(209,551)**	(789,382)
Purchase of shares in controlled entity		**-**	-	**-**	(35,001)
NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**1,692**	(35,001)	**(208,637)**	(830,112)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		**-**	2,477,585	**-**	2,477,585
Payment of share issue costs		**-**	(176,839)	**-**	(176,839)
Proceeds from borrowings		**1,180,009**	1,077,997	**1,128,371**	1,069,247
Repayment of borrowings		**(389,308)**	(1,027,349)	**(394,594)**	(1,027,349)
NET CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**790,701**	2,351,394	**733,777**	2,342,644
NET INCREASE/(DECREASE) IN CASH HELD		**(338,115)**	301,084	**(354,406)**	275,765
Add opening cash brought forward		**332,943**	31,859	**299,719**	23,954
CLOSING CASH CARRIED FORWARD	22(b)	**(5,172)**	332,943	**(54,687)**	299,719

NOTES TO FINANCIAL STATEMENTS

30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial report has been prepared in accordance with the historical cost convention.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The consolidated entity has incurred a net loss attributable to members of $1,241,344 during the current financial year, and at 30 June 2003 has a deficiency in net current assets of $352,389 and net liability position of $833,542. As such, there is significant uncertainty as to the company and consolidated entity continuing as going concerns.

Notwithstanding this, the financial report is prepared on the going concern basis as in the opinion of the directors the company and consolidated entity will be able to pay their debts as and when they fall due based on anticipated sales of the Medteq product, through newly established distribution channels, in the short term and the successful commercialisation of the Sportzwhistle and Iron Bar products. Sales of these products are anticipated to yield returns in excess of current costs. Where future working capital is required, alterative methods of fundraising may be sought, including the sale of or more investments and through the provision of continued financial support by the directors and director related entities.

However should the anticipated sales of the products not generate sufficient revenues and cashflows as expected and alternative methods of raising funds not be found, the company and consolidated entity may not be able to pay their debts as and when they fall due and may be required to realise assets and extinguish liabilities other than in the ordinary course of business and at amounts different from those stated in the financial statements.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the provision for dividends and employee benefits.

[i] Provision for dividends
The consolidated entity has adopted the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which has resulted in a change in the accounting for the dividends provision. In accordance with the requirements of the new Standard, a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date.

[ii] Employee benefits
The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled.

The application of these policies did not have a material effect on the operating result of the entity.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by TechStar Limited as at 30 June 2003 and the results of the controlled entities for the that year. TechStar Limited and its controlled entities together are referred to in this financial report as the consolidated entity or the group.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies, have been converted to local currency using rates of exchange ruling at the end of the financial year.

All resulting exchange differences arising on settlement or re-statement are brought to account in determining the net profit or loss for the financial year.

Cash

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due, less any amounts not considered collectible.

Interest is taken up as income on an accrual basis.

Recoverable amount

Non-current assets are carried at an amount not above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

Investments

Non-current investments are carried at the lower of cost and recoverable amount.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs involved in bringing each product to its present location and condition are accounted for as follows:

- Raw Materials – purchase cost on a standard cost basis and:
- Finished goods and work-in-progress – cost of direct materials and labour on a standard cost basis.

Plant and equipment

Cost and valuation

Plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amount.

Depreciation

Depreciation is provided on a straight-line basis on all plant and equipment.

Depreciation period is:	**2003**	2002
• Plant and equipment	**3 to 5 years**	3 to 5 years

Leases

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

Operating leases

The minimum lease payments of operating leases (where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item) are recognised as an expense on a straight-line basis.

Finance leases

Leases which effectively transfer substantially all the risks and benefits incidental to ownership of the leased item to the entity, are capitalised at the present value of the minimum lease payments and disclosed as plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the statement of financial performance.

Intangibles

Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. This is taken as being six years.

Intellectual Property

Intellectual property is amortised on a straight-line basis over the period during which benefits are expected to be received. This is taken as being six years. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable beyond reasonable doubt and any amount identified is written off.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other non-current assets

Research and Development costs

Research and development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development costs are deferred, such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Interest bearing liabilities

All loans are measured at the principal amount plus accrued interest if applicable. Interest is charged as an expense as it accrues. Finance lease liability is accounted for in accordance with the requirements of AASB 1008: "Leases".

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for warranty is recognised for all products under warranty at the reporting date based on sales volume and past experience of the level of repairs and returns.

Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Control of the goods has passed to the buyer.

Rendering of Services

Revenue from the rendering of corporate services to associated companies is recognised upon the delivery of the service to those companies.

Interest

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and annual leave.
Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries and annual leave; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

Taxation

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenues from operating activities:					
Revenue from sale of goods		**430,216**	507,589	**-**	-
Revenue from services		**-**	-	**712,254**	1,024,470
Total revenues from operating activities		**430,216**	507,589	**712,254**	1,024,470
Revenues from non-operating activities:					
Interest					
- associated companies	31	**-**	-	**317,764**	229,050
- other persons/corporations		**2,791**	14,839	**2,369**	14,404
Total interest		**2,791**	14,839	**320,133**	243,454
Other					
-proceeds from sales of plant & equipment		**3,467**	-	**2,689**	-
-other		**90,192**	50,442	**651**	1,181
Other revenue		**93,659**	50,442	**3,340**	1,181
Total revenues from non-operating activities		**96,450**	65,281	**323,473**	244,635
Total revenues from ordinary activities		**526,666**	572,870	**1,035,727**	1,269,105
3. EXPENSES AND LOSSES/(GAINS)					
(a) Expenses					
Depreciation of non-current assets					
Plant and equipment		**21,428**	23,092	**15,637**	17,034
Plant and equipment under lease		**33,479**	33,932	**33,479**	33,932
Total depreciation of non-current assets		**54,907**	57,024	**49,116**	50,966
Amortisation of non-current assets					
Intellectual property		**349,966**	440,713	**-**	-
Goodwill		**4,949**	9,898	**-**	-
Research and development costs		**6,139**	4,470	**-**	-
Total amortisation of non-current assets		**361,054**	455,081	**-**	-
Total depreciation and amortisation expenses		**415,961**	512,105	**49,116**	50,966
Borrowing costs expensed:					
Interest expense					
- Finance lease		**11,963**	10,436	**11,963**	10,436
- On directors' loans		**131,193**	-	**125,682**	-
- Other persons/corporations		**10,730**	78,918	**16,241**	78,918
		153,886	89,354	**153,886**	89,354
Other borrowing costs:					
- Other persons/corporations		**11,670**	18,428	**2,576**	5,095
Total borrowing costs expensed		**165,556**	107,782	**156,462**	94,449

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003	CONSOLIDATED 2002	TECHSTAR LIMITED 2003	TECHSTAR LIMITED 2002
		$	$	$	$
3. EXPENSES AND LOSSES/(GAINS), continued					
Operating lease rental - minimum lease payments		**35,678**	31,232	**35,678**	31,232
Provision for employee entitlements		**24,933**	21,102	**24,933**	21,102
Doubtful debts expenses		**19,717**	-	-	-
(b) Losses/(gains)					
Net foreign currency losses/(gains)					
Trade payables		**(2,299)**	(1,537)	-	-
Trade receivables		**8,782**	(9,655)	-	-
Foreign cash holdings		**275**	(8,705)	-	-
Net foreign currency losses/(gains)		**6,758**	(19,897)	-	-
Specific expenditure included in expenses from ordinary activities:					
• Recoverable amount write-down R&D		-	733,008	-	-
• Diminution in value of intangibles		-	323,418	-	-
• Write-down of inventory to net realisable value		-	232,580	-	-
• Diminution in value of investments		-	-	-	758,029
• Diminution in value of loans receivable		-	-	**162,414**	1,674,599

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
4. INCOME TAX					
The prima facie tax on operating loss, at 30% differs from the income tax provided in the financial statements as follows:					
Prima facie tax benefit on operating loss		**567,050**	1,152,501	**115,734**	808,048
Tax effect of permanent differences					
Share of associates' net profits/(losses)		**-**	(59,447)	**-**	-
Capital expenses		**-**	(15,277)	**-**	(8,146)
Amortisation of intangibles		**(108,316)**	(135,183)	**-**	-
R&D incentive claim (additional 25%)		**26,466**	42,947	**-**	-
Other Items Net		**1,919**	(2,039)	**434**	(2,061)
Prima facie tax benefit not bought to account on operating losses at balance date as realisation of the benefit is not regarded as virtually certain.		**(487,119)**	(983,502)	**(116,168)**	(797,841)
Income tax expense attributable to ordinary activities		**-**	-	**-**	-
Future income tax benefit arising from tax losses not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.		**2,578,005**	1,840,493	**309,306**	185,801

The prima facie future income tax benefit will only be obtained if:

(a) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

(b) The conditions for deductibility imposed by tax legislation continued to be complied with;

(c) No changes in tax legislation adversely affect the consolidated entity in realising the benefit and

Tax consolidation

At the date of this report the consolidated entity has not entered the consolidated tax regime.

NOTES TO FINANCIAL STATEMENTS

		CONSOLIDATED	CONSOLIDATED	TECHSTAR LIMITED	TECHSTAR LIMITED
YEAR ENDED 30 JUNE 2003	Notes	2003	2002	2003	2002
		$	$	$	$
5. RECEIVABLES (CURRENT)					
Trade debtors		**27,459**	17,958	**20**	-
Less: Provision for doubtful debts		**(19,717)**	-	**-**	-
		7,742	17,958	**20**	-
Sundry debtors		**295**	4,309	**295**	1,796
Amounts receivable from related parties					
- directors		**500**	6,018	**-**	6,018
- director related		**440**	440	**440**	440
		8,977	28,725	**755**	8,254

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) Domestic trade debtors are non-interest bearing and generally on 30 day terms.

(ii) Overseas trade debtors are non-interest bearing and generally on Letter of Credit on sight terms.

(iii) Sundry debtors are non-interest bearing and have repayment terms between 30 days and 90 days.

6. RECEIVABLES (NON-CURRENT)					
Amounts receivable from related parties:					
- controlled entities	31	-	-	**6,012,096**	4,934,841

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

Details of the terms and conditions of related party receivables are set out in note 31.

		CONSOLIDATED	CONSOLIDATED	TECHSTAR LIMITED	TECHSTAR LIMITED
YEAR ENDED 30 JUNE 2003	**Notes**	**2003**	**2002**	**2003**	**2002**
		$	$	$	$
7. INVENTORIES (CURRENT)					
Raw Materials					
CPR Ezy at cost		**18,764**	56,847	-	-
Work in Progress					
CPR Ezy at cost		**35,522**	97,647		-
Finished goods					
CPR Ezy at cost		**239,252**	179,030	-	-
Total Inventories					
CPR Ezy at cost		**293,538**	333,524	-	-
Total inventories at lower of cost and net realisable value		**293,538**	333,524	-	-
8. OTHER CURRENT ASSETS					
Prepayments		**13,652**	28,646	-	5,994

YEAR ENDED 30 JUNE 2003	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
9. OTHER FINANCIAL ASSETS (NON-CURRENT)				
Investments comprises:				
Controlled entities – unlisted shares	-	-	3,008,582	3,008,582
(i) During the year investments in controlled entities were written down to recoverable amount as follows:				
Inter-cent Pty Ltd				
Opening balance			-	723,028
Diminution in value			-	723,028
Closing balance			-	-
Conceptual Innovation and Design (Holdings) Pty Ltd				
Opening balance			-	-
Acquired at cost			-	35,001
Diminution in value			-	35,001
Closing balance			-	-

(a) Interests in wholly owned subsidiaries

Name	Country of incorporation	Equity interest held by consolidated entity 2003	Equity interest held by consolidated entity 2002	Company carrying value of investment 2003	Company carrying value of investment 2002
Inter-whistle Pty Ltd	Australia	100%	100%	1	1
Inter-cent Pty Ltd	Australia	100%	100%	-	-
Inter-ironbar Pty Ltd	Australia	100%	100%	318,827	318,827
Inter-medteq Pty Ltd	Australia	100%	100%	2,689,754	2,689,754
Conceptual Innovation and Design (Holdings) Pty Ltd (vii)	Australia	-	50%	-	-
(b) Interests in other subsidiaries					
SportzWhistle Pty Ltd (i)	Australia	61.2%	61.2%	-	-
Centurion Tech Holdings Pty Ltd (ii)	Australia	60%	60%	-	-
Centurion Technologies Pty Ltd (ii)	Australia	60%	60%	-	-
Ironbar Pty Ltd (iii),(vi)	Australia	49%	49%	-	-
Medteq Holdings Pty Ltd (iv)	Australia	50%	50%	-	-
Medteq Innovations Pty Ltd (iv)	Australia	50%	50%	-	-
Conceptual Innovation and Design Pty Ltd (v)	Australia	-	100%	-	-

YEAR ENDED 30 JUNE 2003

9. OTHER FINANCIAL ASSETS (NON-CURRENT) (CONTINUED)

(i) Investments are held by Inter-whistle Pty Ltd

(ii) Investments are held by Inter-cent Pty Ltd

(iii) Investments are held by Inter-ironbar Pty Ltd

(iv) Investments are held by Inter-medteq Pty Ltd

(v) Investments are held by Conceptual Innovation and Design (Holdings) Pty Ltd

(vi) Control exists due to the entity's financial dependence upon Inter-ironbar Pty Ltd

(vii) TechStar Limited's holding in this entity was sold in the year ended 30 June 2003 for no cash consideration

	Notes	CONSOLIDATED	CONSOLIDATED	TECHSTAR LIMITED	TECHSTAR LIMITED
		2003	2002	2003	2002
10. PLANT AND EQUIPMENT		$	$	$	$
Plant and equipment:					
At cost		81,016	81,939	61,365	62,279
Provision for depreciation		(63,775)	(44,276)	(46,822)	(33,114)
		17,241	37,663	14,543	29,165
Plant and equipment under lease					
At cost		138,091	154,344	138,091	154,344
Provision for amortisation		(104,838)	(71,359)	(104,838)	(71,359)
		33,253	82,985	33,253	82,985
Total plant and equipment		50,494	120,648	47,796	112,150
Total plant and equipment					
At cost		219,107	236,283	199,456	216,623
Provision for depreciation and amortisation		(168,613)	(115,635)	(151,660)	(104,473)
Total written down amount		50,494	120,648	47,796	112,150
Assets pledged as security					
Included in the balance of Plant and Equipment are assets over which a floating charge has been granted as security over loans (see note 14 & 17)					
Assets under lease are pledged as security for the associated lease liabilities.					
(a) Reconciliations					
Plant and equipment					
Carrying amount at beginning		37,663	60,362	29,165	46,135
Additions		1,775	1,587	1,775	1,258
Disposals		(769)	(1,194)	(760)	(1,194)
Depreciation expense		(21,428)	(23,092)	(15,637)	(17,034)
		17,241	37,663	14,543	29,165
Plant and equipment under lease					
Carrying amount at beginning		82,985	116,917	82,985	116,917
Terminated during the year		(16,253)	-	(16,253)	-
Amortisation expense		(33,479)	(33,932)	(33,479)	(33,932)
		33,253	82,985	33,253	82,985

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
11. INTANGIBLE ASSETS					
Goodwill		**59,388**	59,388	-	-
Accumulated amortisation		**(19,796)**	(14,847)	-	-
		39,592	44,541	-	-
Intellectual property at cost		**2,599,796**	2,659,796	-	-
Accumulated amortisation		**(1,488,954)**	(1,198,988)	-	-
Diminution of recoverable amount (i)		**(323,418)**	(323,418)	-	-
		787,424	1,137,390	-	-
		827,016	1,181,931	-	-

(i) The directors consider the carrying amount at cost to exceed the recoverable amount.

Included in the balance of intellectual property are assets over which a floating charge has been granted as security over loans (see note 14 & 17)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
12. Research and Development					
Research and development costs					
Balance at beginning of year at cost		**963,743**	1,590,739	-	-
Research and development costs incurred during the year and deferred		**163,185**	106,012	-	-
Diminution of recoverable amount		-	(733,008)	-	-
		1,126,928	963,743	-	-
Accumulated amortisation		**(12,054)**	(5,915)	-	-
Balance at end of year		**1,114,874**	957,828	-	-

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
13. PAYABLES (CURRENT)					
Trade creditors		**429,048**	118,315	**68,714**	4,465
Amounts payable to related parties	31	-	337,083	-	337,083
Other creditors		**167,894**	276,972	**148,571**	132,353
		596,942	732,370	**217,285**	473,901
Aggregate amounts payable to related parties:					
- director related entities		-	90,000	-	90,000
- directors		-	247,083	-	247,083
		-	337,083	-	337,083

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
13. PAYABLES (CURRENT) (Cont)					

(a) Terms and conditions relating to the above financial instruments

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

(ii) Details of the terms and conditions of related party payables are set out in note 31.

(iii) Other creditors are non-interest bearing and have an average term of 4 months.

14. INTEREST BEARING LIABILITIES (CURRENT)

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
Secured lease liability – finance lease	23	**46,386**	35,711	**46,386**	35,711
Borrowings securing by fixed and floating charge					
- bank overdraft		**74,152**	394,524	**74,152**	394,524
- director related entities		**-**	638,734	**-**	629,984
		120,538	1,068,969	**120,538**	1,060,219

Terms and conditions relating to the above financial instruments:

(i) Finance leases have an average lease term of 4 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 10%. Secured lease liabilities are secured by a charge over the leased assets.

(ii) Bank overdraft is repayable over time. A continuing overdraft facility of $100,000 is available subject to periodical bank review. Interest is charged at the daily bank base lending rate plus 1.75%pa.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
15. PROVISIONS (CURRENT)					
Employee benefits	24	19,657	73,160	19,657	73,160
Warranty provision		399	216		-
		20,056	73,376	19,657	73,160
16. PAYABLES (NON CURRENT)					
Directors' fees		517,083	-	517,083	-
Directors' fees are repayable over time.					
17. INTEREST BEARING LIABILITIES (NON-CURRENT)					
- secured lease liability – finance lease	23	6,519	52,904	6,519	52,904
- director related entities		1,799,935	-	1,734,036	-
- other		150,000	-	150,000	-
		1,956,454	52,904	1,890,555	52,904

Terms and conditions relating to the above financial instruments:

(i) Finance leases have an average lease term of 4 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 10%. Secured lease liabilities are secured by a charge over the leased assets.

(ii) Director related entity loans are repayable over time. Interest is charged at the rate of 10%pa and the loans are secured via a floating charge.

(iii) Other loans are repayable over time with the final payment due no later than March 2006. Interest is charged at the rate of 10%pa. The loans are secured via a floating charge.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
18. CONTRIBUTED EQUITY					
(a) Issued and paid up capital					
Ordinary shares fully paid		**6,863,588**	6,863,588	**6,863,588**	6,863,588
Less: Equity raising costs		**(600,110)**	(600,110)	**(600,110)**	(600,110)
		6,263,478	6,263,478	**6,263,478**	6,263,478

(b) Movements in shares on issue	2003 Number of shares	2003 $	2002 Number of shares	2002 $
Beginning of financial year	**39,403,731**	**6,263,478**	6,045,500	3,962,732
After capital reorganisation (i)	-	-	36,273,000	-
Issued during year				
- shares issued to directors (iii)	**500,000**	-	-	-
- public equity raising – rights issue	-	-	2,901,840	2,321,472
- less transaction costs (ii)	-	-	-	(176,839)
- listed share option exercised	-	-	138,891	111,113
- employee share option exercised	-	-	90,000	45,000
End of the financial year	**39,903,731**	**6,263,478**	39,403,731	6,263,478

(i) On 30th July 2001, a general meeting of shareholders of TechStar Limited approved the reorganisation of the company's capital via a share split on a 6 new shares for 1 share held basis. As a result of the capital reorganisation the 6,045,500 ordinary shares have been reorganised to 36,273,000 ordinary shares.

(ii) Transaction costs incurred pertaining to a public equity raising.

(iii) At the 2002 annual general meeting the issuing of 500,000 shares to directors was approved.

(c) Share options

Options over ordinary shares

Employee share option plan

At the end of the year there were 90,000 (2002: 330,000) unissued ordinary options in respect of which options were outstanding. During the year employees who ceased employment forfeited their rights to options.(Refer note 24.)

Listed share options

Their were no new listed share options issued for the period. Listed share options outstanding at 30 June 2002 lapsed in the year ended 30 June 2003.

(d) Terms and conditions of contributed equity

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 sale of all surplus assets in the proportion to the number of and the amounts paid up on shares held.

Ordinary shares entitle their holders to one vote, either in person or by proxy, at a meeting of the company.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
19. RESERVES					
Asset revaluation		-	-	**3,714,573**	3,714,573
The asset revaluation reserve is used to record increments and decrements in the value of non-current assets.					
Movements in asset revaluation reserve:					
- balance at beginning of year and end of year		-	-	**3,714,573**	3,714,573
20. ACCUMULATED LOSSES					
Accumulated losses		**(5,436,053)**	(4,194,709)	**(3,654,474)**	(3,268,695)
Balance at beginning of year		**(4,194,709)**	(2,023,406)	**(3,268,695)**	(575,203)
Net losses attributable to members of TechStar Limited		**(1,241,344)**	(2,171,303)	**(385,780)**	(2,693,492)
Balance at end of year		**(5,436,053)**	(4,194,709)	**(3,654,475)**	(3,268,695)
21. OUTSIDE EQUITY INTEREST					
Reconciliation of outside equity interests in controlled entities:					
Opening balance		**(1,012,143)**	658,225		
Less share of operating loss		**(648,824)**	(1,670,368)		
Closing balance		**(1,660,967)**	(1,012,143)		
Outside equity interest comprises:					
Share capital		**2,061,397**	2,061,397		
Accumulated losses		**(3,722,364)**	(3,073,540)		
		(1,660,967)	(1,012,143)		

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
22. STATEMENT OF CASH FLOWS					
a) Reconciliation of the operating loss after tax to the net cash flows from operations					
Operating loss after tax		**(1,890,168)**	(3,841,671)	**(385,780)**	(2,693,492)
Depreciation of non-current assets		**21,428**	23,092	**15,637**	23,092
Amortisation of assets under finance lease		**33,479**	33,932	**33,479**	33,932
Amortisation of goodwill		**4,949**	9,898	-	-
Amortisation of intellectual property		**349,966**	440,713	-	-
Amortisation of research & development		**6,139**	4,470	-	-
Net foreign currency (gains)/losses		**6,758**	19,879	-	-
Share of associates' net losses			-	-	-
Diminution of value of intangibles		-	323,418	-	-
Write-down of inventory to NRV		-	232,580	-	-
Recoverable amount write-down – capitalised R&D		-	733,008	-	-
Diminution of value of investments		-	-	-	758,029
Diminution of value of loans receivable		-	-	**162,414**	1,674,599
Accrued interest on interest bearing liabilities		**131,193**	-	**125,682**	-
Other		**(30,898)**	-	**(11,003)**	-
Changes in assets and liabilities:					
Decrease/(increase) in trade and other receivables		**19,748**	5,298	**(1,033,928)**	(1,081,527)
Decrease/(increase) in other assets		**14,994**	-	**5,994**	
(Decrease)/increase in trade and other creditors		**381,655**	200,921	**260,467**	6,511
(Decrease)/increase in employee entitlements		**(53,503)**	21,102	**(53,503)**	21,102
(Decrease)/increase in other provisions		**183**	(16,198)	-	-
(Decrease)/increase in goods and services tax payable		**(3,232)**	(28,410)	**995**	20,987
Decrease/(increase) in inventory		**39,986**	(71,329)	-	-
Research and development costs capitalised		**(163,185)**	(106,012)	-	-
Net cash flow from (used in) operating activities		**(1,130,508)**	(2,015,309)	**(879,546)**	(1,236,767)
b) Reconciliation of cash					
Cash balance comprises:					
- cash on hand and at bank		**51,033**	314,996	**1,518**	281,772
- short term deposits		**17,947**	17,947	**17,947**	17,947
		68,980	332,943	**19,465**	299,719
- bank overdraft		**(74,152)**	-	**(74,152)**	
Closing cash balance		**(5,172)**	332,943	**(54,687)**	299,719

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
22. STATEMENT OF CASH FLOWS (Continued)					
c) Financing facilities available					
At balance date the following financing facilities had been negotiated and were available:					
Total facilities					
- bank overdraft	14(ii)	**100,000**	400,000	**100,000**	400,000
- related parties	17(ii)	**1,799,935**	638,733	**1,734,036**	629,983
- other	17(iii)	**150,000**	-	**150,000**	-
Facilities used at balance date					
- Bank overdraft	14(ii)	**74,152**	394,524	**74,152**	394,524
- related parties	17(ii)	**1,799,935**	638,733	**1,734,036**	629,983
- other	17(iii)	**150,000**	-	**150,000**	-
Facilities unused at balance date					
- Bank overdraft	14(ii)	**25,848**	5,476	**25,848**	5,476

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
23. LEASE EXPENDITURE COMMITMENTS					
(a) Operating leases (non-cancellable)					
Minimum lease payments					
- not later than one year		144,000	20,140	144,000	20,140
- later than one year and not later than five years		-	-	-	-
- later than five years		-	-	-	-
- aggregate lease expenditure contracted for at balance date		144,000	20,140	144,000	20,140
Amounts not provided for:					
- rental commitments		144,000	20,140	144,000	20,140

Subsequent to year end the above commitment has changed from $144,000 to $15,500. On 15 September 2003, the head office relocated to new premises with a total rental commitment of $14,500 for three months.

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
(b) Finance leases:					
- not later than one year		49,246	42,789	49,246	42,789
- later than one year and not later than five years		7,014	56,258	7,014	56,258
- later than five years		-	-	-	-
- total minimum lease payments		56,260	99,047	56,260	99,047
- future finance charges		(3,355)	(10,432)	(3,355)	(10,432)
- lease liability		52,905	88,615	52,905	88,615
- current liability	14	46,386	35,711	46,386	35,711
- non-current liability	17	6,519	52,904	6,519	52,904
		52,905	88,615	52,905	88,615

Finance leases have an average lease term of 4 years with an average discount rate of 10% implicit in the leases. The security over finance leases is disclosed in note 14.

24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Entitlements

The aggregate employee entitlement liability is comprised of:

	Notes	CONSOLIDATED 2003 $	CONSOLIDATED 2002 $	TECHSTAR LIMITED 2003 $	TECHSTAR LIMITED 2002 $
Provision for annual leave (current)		11,657	64,335	11,657	64,335
Other provision (current)		8,000	8,825	8,000	8,825
	15	19,657	73,160	19,657	73,160

Number of employees

The consolidated entity employed 5 employees as at 30 June 2003 (2002:11 employees).

YEAR ENDED 30 JUNE 2003

24. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS (Cont)

Superannuation Commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Contributions by the Company of up to 9% of employees' wages and salaries are legally enforceable.

Employee share option plan

An employee share option plan has been established where Directors, and certain members of staff of the consolidated entity are issued with options over the ordinary shares of TechStar Limited. The options, issued for nil consideration, are issued for a term of 3 years, and are exercisable from 22 December 2000. The options cannot be transferred and will not be quoted on the ASX. All Directors and staff are currently eligible for this plan.

Information with respect to the number of options granted under the employee share option plan is as follows:

	2003		2002	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Balance at beginning of year	**330,000**	**.50**	70,000	3.00
Balance after capital reorganisation	-	-	420,000	0.50
- granted	-	-	-	-
- less forfeited	**(240,000)**	**.50**	-	-
- exercised	-	-	(90,000)	0.50
Balance at end of year	**90,000**	**.50**	330,000	0.50
Exercisable at end of year	**90,000**	**.50**	330,000	0.50

On 30 July 2001, a general meeting of shareholders of TechStar Limited approved the reorganisation of the company's capital via a share split on a 6 new shares for 1 share held basis. As a result of the capital reorganisation, the 70,000 employee share options have been reorganised to 420,000 employee share options at an exercise price $0.50 per share.

25. CONTINGENT LIABILITIES

No contingent liabilities have arisen during or at the end of the financial year.

26. SUBSEQUENT EVENTS

(i) On the 6 August 2003, $140,000 worth of shares were issued to former director Peter O'Neill, as detailed in a Deed of Settlement and Release signed on 27th August 2002, and approved by shareholders at the 2002 Annual General Meeting. Shares were calculated by reference to the average of the closing prices of TechStar shares on the ASX for the five trading days immediately preceding 6 August 2003. Accordingly, 555,556 shares were issued.

(ii) On the 1 July 2003 125,000 unlisted options were granted to each lender IRSF Pty Ltd, Daviros Pty Ltd and A. Naylor as consideration for the three parties lending $50,000 each to TechStar Limited in the year ended 30 June 2003.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED 2003	CONSOLIDATED 2002	TECHSTAR LIMITED 2003	TECHSTAR LIMITED 2002
27. EARNINGS PER SHARE					
Basic earnings per share (cents)		**(3.1)**	(5.7)		
Diluted earnings per share (cents)		**(3.1)**	(5.7)		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:					
Net profit/(loss)		**(1,890,168)**	(3,841,671)		
Adjustments:					
Net profit attributable to outside equity interest		**(648,824)**	(1,670,368)		
Earnings used in calculating basic and diluted earnings per share		**(1,241,344)**	(2,171,303)		
		Number of shares	**Number of shares**		
Weighted average number of shares used in calculating basic earnings per share:		**39,696,882**	38,097,390		
Effect of dilutive securities:					
Share options(i)		**Nil**	Nil		
Adjusted weighted average number of ordinary shares used in calculating basic earnings per share		**39,696,882**	38,097,390		

(i) Potential ordinary shares from outstanding share options are not considered dilutive due to the exercise price of the options exceeding the market price of potential ordinary shares at all times from reporting date to completion of the financial report.

There have been no conversions to, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion date of this report.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003	CONSOLIDATED	CONSOLIDATED	TECHSTAR LIMITED	TECHSTAR LIMITED
	2003	2002	2003	2002
28. REMUNERATION OF DIRECTORS	$	$	$	$
Income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are Directors or any related party:	245,868	$325,033		
Income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of TechStar Limited, directly or indirectly, from the entity or any related party:			245,868	302,933
The number of Directors of TechStar Limited whose income (including superannuation contributions) falls within the following bands is:				
$10,000 - $19,999			-	1
$20,000 - $29,999			-	-
$40,000 - $49,999			3	3
$60,000 - $69,999			2	1
$120,000 - $129,999			-	1
$160,000 - $169,999			-	-

In the opinion of directors, remuneration paid to directors is considered reasonable.

Messrs Reid, Jones, Laurie and Hanmer have not been paid their emoluments during the year due to the tight cashflow position of the company.

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED	CONSOLIDATED	TECHSTAR LIMITED	TECHSTAR LIMITED
		2003	2002	2003	2002
		$	$	$	$
29. REMUNERATION OF EXECUTIVES					
Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is $100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:		**123,676**	230,100		
Remuneration received or due and receivable by executive officers of the company whose remuneration is $100,000 or more, from the company or a related party, in connection with the management of the affairs of the company or any of its subsidiaries, whether as an executive officer or otherwise:				**123,676**	230,100
The number of executives of the consolidated entity and the company whose remuneration falls within the following bands is:					
$100,000 - $109,999		**-**	1	**-**	1
$120,000 - $129,999		**1**	-	**1**	-
$160,000 - $169,999		**-**	1	**-**	1
In the opinion of directors, remuneration paid to executives is considered reasonable.					
30. AUDITORS' REMUNERATION					
Amounts received or due and receivable by the auditors of TechStar Limited for:					
– an audit or review of the financial report of the entity and any other entity in the consolidated entity		**61,000**	56,240	**51,455**	56,240
– other services		**-**	5,555	**-**	5,555
		61,000	61,795	**51,455**	61,795

YEAR ENDED 30 JUNE 2003

31. RELATED PARTY DISCLOSURES

(a) The directors of TechStar Limited during the financial year were:

J.B. Reid

B.P. Jones

J.W. Laurie

A.J. Hanmer

P.M. O'Neill (resigned 27th August 2002)

(b) The following related party transactions occurred during the financial year:

(i) Transactions with related parties

Loans made by the Company to controlled entities under normal commercial terms and conditions, including interest of 10% per annum, aggregating $6,012,096 (2002:$4,934,841). No amount was repaid during the year. Interest amounting to $317,764 (2002: $229,050) has been charged on these loans. An amount of $162,414 (2002: $1,674,599) was written down during the year representing a diminution of value of loan receivable to recoverable amount.

Classes of related parties involved:

(a) Controlled entities (wholly owned)

- Inter-whistle Pty Ltd
- Inter-cent Pty Ltd
- Inter-medteq Pty Ltd
- Inter-ironbar Pty Ltd

(b) Controlled entities (partly owned)

- Centurion Tech Holdings Pty Ltd
- Centurion Technologies Pty Ltd
- Medteq Innovations Pty Ltd
- Medteq Holdings Pty Ltd
- Ironbar Pty Ltd
- SportzWhistle Pty Ltd
- Conceptual Innovation and Design (Holdings) Pty Ltd
- Conceptual Innovation and Design Pty Ltd

(ii) Transactions with director-related entities

During the year , Meltharina Pty Ltd (a company related to Mr B. P. Jones), provided funding to TechStar Limited totalling $78,371 (2002: $400,000). The loan was provided on commercial lending terms secured by a floating charge over the assets of the company at the rate of interest of 10%pa. Interest amounting to $13,393 (2002: $41,901) has been charged on this loan.

During the year, Quorrobolong Pty Ltd (a company related to Mr J. B. Reid) provided funding to TechStar Limited totalling $900,000 (2002: $875,000). The loan was provided on commercial lending terms, secured by a floating charge over the assets of the company at the rate of interest of 10%. Interest amounting to $112,289 (2002: $7,553) has been charged on this loan.

During the year, the Jones family (related to Mr B. P. Jones) provided funding to Ironbar Pty Ltd, a controlled entity, totalling $51,638 (2002: $8,750). The loan was provided on commercial lending terms, secured by a floating charge over the assets of Ironbar Pty Ltd at the rate of interest of 10%. Interest amounting to $5,511 (2002: $nil) has been charged on this loan.

(i) Transactions with directors

Mr A. J. Hanmer has provided executive management and marketing services during the year. The services provided are in addition to regular non-executive director duties. A service fee has been negotiated at a discounted rate of $850 per day for an average 1 to 2 days per month. Total fees paid during the year are $35,722 (2002: $20,100).

During the year A. J. Hanmer and J. W. Laurie were issued 250,000 shares in the company as approved at the 2002 annual general meeting.

During the year salary amounts paid to C Jones (a director of Iron Bar Pty Ltd) totalled $50,000.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003

31. RELATED PARTY DISCLOSURES (Cont)

(c) Ultimate parent

TechStar Limited is the ultimate Australian parent entity.

(d) Equity instruments of directors

(i) Interests in the equity instruments of the Company held by Directors of the reporting entity and their director related entities at balance date:

	Ordinary Shares Fully Paid	Ordinary Shares Fully Paid	Listed $0.80 options	Listed $0.80 options
	2003	**2002**	**2003**	**2002**
J. B. Reid	**5,577,439**	5,577,439	-	320,001
B. P. Jones	**5,432,392**	5,458,319	-	404,321
J. W. Laurie	**295,920**	42,400	-	12,400
A. J. Hanmer	**250,000**	-	-	-
P .M. O'Neill*	-	4,828,365	-	11,361
	11,555,751	15,906,523	-	748,083

On 30th July 2001, a general meeting of shareholders of TechStar Limited approved the reorganisation of the Company's capital via a share split on a 6 new shares for 1 share basis. As a result of the capital reorganisation the 2,512,000 ordinary shares have been reorganised to 15,072,000 ordinary shares.

During the 2002-year 15,000,000 shares held by the directors and their related entities were released from escrow. The remaining 906,523 ordinary shares held by directors were issued at arm's length terms.

During the year ended 30 June 2003 the directors' listed options lapsed.

*P .M. O'Neill resigned as director on the 27th August 2002.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003

32. SEGMENT INFORMATION

Segments and product locations

The consolidated entity's operating companies are organised and managed separately according to the nature of the products and services they provide, with each segment offering different products and serving different markets.

The CPR Ezy segment produces and distributes a CPR assistance device to the medical, CPR training, and consumer markets. The Reo-mate segment is developing a hand tool to tie reinforcing rods for concrete construction to the building and construction industry. The SportzWhistle segment is developing an electronic hand held whistle for the sporting markets. The Seamont Security Card segment is developing a device to protect data on personal computers, for the computer security and consumer markets. The "other" segment includes other revenues and expenses associated with the provision of management services to controlled entities, management of investments, and general corporate administration activities.

Segment accounting policies

The group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

The consolidated entity operates in one geographical location being Australia.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003

32. SEGMENT INFORMATION (Cont)

SEGMENTS	CPR Ezy		Reo-Mate		SportzWhistle		Seamont Security Card		Other		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Revenue														
Sales to customers outside the economic entity	**421,826**	507,589	-	-	**8,390**	-	-	-	-	-	-	-	**430,216**	507,589
Other operating revenue	**68,443**	34,912	-	-	-	-	-	14,782	**28,007**	15,587	-	-	**96,450**	65,281
Total revenue	**490,269**	542,501	-	-	**8,390**	-	-	14,782	**28,007**	15,587	-	-	**526,666**	572,870
Segment results	**(1,221,875)**	(760,534)	**(121,222)**	(32,955)	**(234,258)**	(19,218)	-	(1,355,797)	**(312,813)**	(1,673,167)	-	-	**(1,890,068)**	(3,841,671)
Segment assets	**2,016,038**	2,405,236	**401,862**	277,643	**497,701**	361,305	-	8,462	**17,628,979**	15,875,535	**18,167,049**	15,943,939	**2,377,531**	2,984,254
Segment liabilities	**3,092,654**	2,260,267	**258,535**	41,031	**973,371**	602,717	-	731,271	**11,319,225**	8,134,138	**12,432,712**	9,841,806	**3,211,073**	1,927,618
Other segment information														
Acquisition of assets	**10**	111	-	151,783	-	131,105	-	-	**1,765**	60,000	-	-	**1,775**	342,999
Non-cash expenses other than depreciation or amortisation														
- recoverable amount write-down –IP	-	-	-	-	-	-	-	270,831	-	52,587	-	-	-	323,418
- recoverable amount write-down –capitalised R&D	-	-	-	-	-	-	-	740,767	-	-	-	-	-	740,767
Depreciation	**82**	56	-	-	**144**	19	-	5,984	**21,202**	17,034	-	-	**21,428**	23,093
Amortisation	**339,472**	337,803	**16,633**	16,633	**4,949**	9,898	-	83,333	**33,479**	41,345	-	-	**394,533**	489,012

YEAR ENDED 30 JUNE 2003

33. FINANCIAL INSTRUMENTS

(a) Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing in: Within 1 Year		1 to 5 Years		More than 5 Years		Non-Interest Bearing		Total carrying amounts as per the statement of financial position	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	%	%	$	$	$	$	$	$	$	$	$	$	$	$
(i) Financial assets														
Cash	-	-	-	-	-	-	-	-	-	-	51,033	314,996	51,033	314,996
Trade and other receivables	-	-	-	-	-	-	-	-	-	-	8,037	22,267	8,037	22,267
Receivables – related parties	-	-	-	-	-	-	-	-	-	-	940	6,459	940	6,459
Short term deposits	3%	3%	17,947	17,947	-	-	-	-	-	-	-	-	17,947	17,947
Total financial assets	-	-	17,947	17,947	-	-	-	-	-	-	60,010	2,719,081	77,957	361,669
(ii) Financial liabilities														
Trade and other creditors	-	-	-	-	-	-	-	-	-	-	596,942	732,370	596,942	732,370
Directors fees payable	-	-	-	-	-	-	-	-	-	-	517,083	-	517,083	-
Bank and other loans	(i)	(i)	74,152	394,524	-	-	-	-	-	-	-	-	74,152	394,524
Loan – director related entity	10%	10%	-	-	-	638,733	1,799,935	-	-	-	-	-	1,799,935	638,733
Other Loans	10%	10%	-	-	-	-	150,000	-	-	-	-	-	150,000	-
Finance lease liability	10%	10%	-	-	46,386	35,711	6,519	52,904	-	-	-	-	52,905	88,615
Total financial liabilities	-	-	74,152	394,524	46,386	674,444	1,956,454	52,904	-	-	1,114,025	732,370	3,191,017	1,854,241

not applicable since financial instruments are not recognised in the financial statements.

YEAR ENDED 30 JUNE 2003

33. FINANCIAL INSTRUMENTS

(i) Bank overdraft interest is charged on daily balances at the prevailing bank base lending rate plus 1.75%pa

(ii) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised financial instruments
Cash and short term deposits: The carrying amount approximates fair value because of their short-term to maturity.

Receivables and Payables, including related party balances: The carrying amount approximates fair value.

Finance lease liability: The fair values of long term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

(b) Credit risk exposures
The entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position.

Concentrations of credit risk

The entity has minimal credit risk as the majority of financial assets are in the form of cash and short-term deposits.

Concentrations of credit risk on trade receivables arise in the following business segments:

	Maximum credit risk exposure* for each concentration			
	Percentage of total trade debtors		**Amount of total trade debtors**	
Business Segment	**2003**	**2002**	**2003**	**2002**
CPR Ezy	**100%**	100%	**27,459**	17,958

TechStar Limited

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of TechStar Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable (refer note 1).

On behalf of the Board

Brian P Jones
Director

Brisbane, 30 September 2003.

ERNST & YOUNG

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Australia

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Independent audit report to members of TechStar 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 TechStar Limited (the company) and the consolidated entity, for the year ended 30 June 2003. 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 judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

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

Qualification

AASB 1011 "Research & Development" requires that the carrying value of capitalised research and development expenditure be expected 'beyond reasonable doubt' to be recovered. The directors of the company believe that it is appropriate to carry capitalised research and development expenditure in the consolidated entity at the amount stated in the financial report. The recoverability of the consolidated entity's capitalised research and development expenditure is dependent upon the generation of income from the products or sale of one or more investments. Based on the historical results of the consolidated entity and given events subsequent to the reporting date we believe that the recovery of capitalised research and development expenditure is not assured beyond reasonable doubt, and therefore that capitalised research and development is stated at an amount in excess of its recoverable amount. This represents a departure from AASB 1011 "Research & Development". The financial report does not include any adjustment relating to the recoverability of the capitalised research and development expenditure carrying amount.

Qualified audit opinion

In our opinion, except for the matters referred to in the qualification paragraph above, the financial report of TechStar Limited, is in accordance with:

(a) the Corporations Act 2001 including:
  (i) giving a true and fair view of the company's and consolidated entities financial position as at 30 June 2003 and of their performance for the year ended at that date; and
  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Inherent uncertainty regarding continuation as a going concern

In addition to the qualification noted above, as noted in Note 1, the ability of the company and the consolidated entity to pay their debts as and when they fall due is dependent on the company and the consolidated entity generating sufficient income to cover costs and the ability to raise further funding through the partial sale of one or more of their investments. However, should the anticipated sales of these products not generate sufficient revenue and cash flows as expected and alternative methods of raising funds are not found, the company and the consolidated entity will not be able to continue as going concerns. Accordingly we have not been able to examine sufficient evidence to support the company's and consolidated entity's ability to continue as going concerns. Had the going concern basis not been used, adjustments would need to be made relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities, to reflect the fact that the company and the consolidated entity may be unable to pay their debts as and when they fall due and may be required to realise their assets and extinguish their liabilities other than in the normal course of business, and at amounts significantly different from those stated in the financial report.

Ernst & Young

Ernst & Young

Mike Reid

Mike Reid
Partner
Brisbane
30 September 2003

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd. and not shown elsewhere in this report is as follows. The information is current as at 26 September 2003.
(a) Statement of shareholdings

Holding range	Name of 20 largest shareholders		Fully paid	
		No. of holders	No. of shares held	% held
100,001 or more	Meltharina Pty Ltd		5,432,392	13.43
	Quorrobolong Pty Ltd		5,319,992	13.15
	Millenium Pty Limited		2,909,968	7.19
	Saltbush Nominees Pty Ltd		2,699,802	6.67
	Bluscan Pty Ltd		1,826,000	4.51
	Davirose Pty Ltd		1,000,000	2.47
	Bevillesta Pty Ltd (Bevilles executive S/F A/C)		907,200	2.24
	Dorvell Pty Ltd (Roskar Super Fund A/C)		776,271	1.92
	IRSF Pty Ltd		729,960	1.80
	Dorvell Pty Ltd (Roskar Discretionary Account)		695,030	1.72
	Peter O'Neill		555,563	1.37
	Philip Alan Keith Naylor & Mrs. Andrea Naylor (Callahorn Super Fund A/C)		520,000	1.29
	Bluscan Pty Ltd		421,200	1.04
	Eighteenth Maylux Pty Ltd		420,000	1.04
	Merrill Lynch (Australia) Nominees Pty Ltd		373,855	0.92
	Perpetual Custodians Limited		300,400	0.74
	Robert Geoffrey Swanson		300,000	0.74
	John William Laurie & Mary Laurie		285,920	0.71
	Lifchem Pty Ltd, C/- P A K Naylor		267,007	0.66
	Miss Lynn Carol Rainbow		257,440	0.64
	Other	24	3,505,169	8.66
		44	29,503,169	72.92
10,001 –100,000	Various	318	9,732,258	24.05
5,001 – 10,000	Various	99	768,012	1.89
1,001 – 5,000	Various	133	434,901	1.07
1 – 1,000	Various	32	20,947	0.05
		626	40,459,287	100.00
Number of shareholders holding less than marketable parcel		45	108,051	0.26

(b) Voting rights
- All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of TechStar Limited is responsible for the corporate governance of the consolidated entity on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the operation of the Board.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least 3 directors and should maintain a majority of non-executive directors;
- the chairperson must be a non-executive director;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at least monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	**Position**
J.B. Reid	Non-Executive Chairman
B.P. Jones	Non-Executive Director
J.W. Laurie	Non-Executive Director
A.J. Hanmer	Non-Executive Director

Audit Committee

The Board has established an Audit Committee to monitor the financial and legal affairs of the consolidated entity. This Committee oversees and appraises the quality of audits conducted by the entity's external auditors, as well as determining the adequacy of administrative, operating and accounting controls. It is responsible for ensuring that the entity properly complies with all legislation and policies affecting its daily operations. It maintains open lines of communication between the Board and external advisers and oversees the identification of risk to ensure its proper management.

Members of the Audit Committee during the year were:
J.B. Reid
B.P. Jones

Remuneration Committee

The Board has established a Remuneration Committee, comprising three non-executive Directors, including the Chairman. The Committee is responsible for determining and reviewing compensation arrangements for the Directors themselves and the chief executive officer and the executive team on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.
The Remuneration Committee comprised the following members throughout the year:

J.B. Reid
B.P. Jones
J.W. Laurie

Board Responsibilities

The Board is responsible for the overall strategic direction of the consolidated entity. The Board reviews corporate strategy and financial targets in terms of shareholder expectations, performance and potential, establishes goals for management and monitors the achievement of these goals.
The Board has put in place the framework and operational policies for the management of the entity ensuring the proper management of internal controls, and of risk in specific areas of its operations.
The Board has adopted the Australian Institute of Directors' Code of Conduct dealing with the entity's responsibilities to and relationships with its employees, shareholders, customers, suppliers, and the community.

Monitoring the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the Chairman. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:
- the annual report which is distributed to all shareholders;
- the half-year report available to all shareholders via the ASX;
- periodic news releases distributed to all shareholders; and
- the annual general meeting and other meetings so called to obtain approval for Board action as appropriate.

CORPORATE DIRECTORY

DIRECTORS

John Boyd Reid, A.O.
Brian Peter Jones
John William Laurie
Antony John Hanmer

LAWYERS

Clarke and Kann
Level 7, 300 Queen Street
Brisbane QLD 4000

COMPANY SECRETARY

Ron Cavanough
and
Russell Colin Brown
c/- Douglas Heck & Burrell
Level 22, 300 Queen Street
Brisbane QLD 4000

AUDITORS

Ernst & Young
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BANKERS

HSBC Bank Australia Ltd
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SHARE REGISTRY

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