ECSI LIMITED
AND ITS CONTROLLED ENTITIES

ABN 68 004 240 313

ANNUAL FINANCIAL REPORT

30 JUNE 2003

Corporate Information

A.B.N.	68 004 240 313
Directors	Mr J. Green (Chairman) Mr G.A. Green (CEO & Managing Director) Mr J.W. Sharp Dr X. Huang
Company Secretary	Ms S. Green
Registered Office	Unit 1, 52 Hoskins Street Mitchell ACT 2911 Telephone: 61 2 6241 3311 Facsimile: 61 2 6241 2127
Solicitors	Verekers
Auditors	McKenzie & Partners
Bankers	Australian and New Zealand Banking Group Limited
Stock Exchange	Australian Stock Exchange 20 Bridge Street Sydney NSW 2000
Stock Code	ECS
Share Register	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000 1300 855 080
Requests for Annual Reports	PO Box 608 Mitchell ACT 2911 61 2 6241 3311 admin@e-control.com.au

References to the entities throughout this report are as follows:

- Parent entity or the company refers to ECSI Limited ("ECSI")
- Consolidated entity or group refers to ECSI and its controlled entities E-Control Pty Ltd ("E-Control") and Electronics and Computing 21 Limited ("EC21")
- Controlled entities refers to E-Control and EC21

Contents

Directors Report

Your directors present their report on the consolidated entity consisting of ECSI Limited and its controlled entities for the financial year ended 30 June 2003.

DIRECTORS

The names and details of the company's directors holding office at anytime during or since the end of the year are as follows:

Non-Executive Chairman

James Green *B.Pharm*
Age 56

Jim was appointed Non-Executive Chairman of ECSI on 26 October 2001 and of E-Control in May 1999. He is a member of the company's remuneration, audit and new business committees.

Jim brings strong business development and commercial skills to ECSI and has been a director of companies associated with his brother, Graeme Green, in the development and marketing of smart card systems for 17 years. He was previously a Non-Executive Director of Coms21 Limited, a technology focussed entity listed on the ASX. Jim, by profession a pharmacist, continues to be involved in the development and operation of a variety of business concerns including public relations and media, function centres and retail distribution.

He lives in Melbourne, Australia.

Executive Directors

Graeme A. Green *Dip.Eng. (CEO & Managing Director)*
Age 52

Graeme was appointed Chief Executive Officer ("CEO") of ECSI on 17 October 2001 and of E-Control in May 1999. Graeme founded E-Control to commercialise smart card based access control and security monitoring systems.

Graeme has been involved in numerous smart card businesses since the mid 1980s including being Managing Director of Coms21 Ltd, an entity listed on the Australian Stock Exchange. Graeme brings a unique understanding of China to ECSI and has been involved in developing business and government relationships throughout China, including those with Beijing Jeton Yangtze Technology Company Limited ("Jeton") and Lu Xiao Bing, since 1992.

He lives in Canberra, Australia and travels regularly to China and Hong Kong.

Non-Executive Directors

John Wallace Sharp
Age 56

John was appointed as a Non-Executive Director of ECSI on 26 October 2001 and of E-Control in July 2001. He is a member of the company's remuneration, audit and new business committees.

John brings extensive security knowledge and experience to the board of ECSI. He is currently Managing Director of Emerald Security Management (Asia/Pacific) Pty. Limited, a security management company based in Sydney with associates throughout Australia, Asia Pacific, the Americas and Europe. John formerly held command/management positions in training, intelligence, international operations, investigations, protection and special operations with the Australian Federal Police and associated agencies. He was a recipient of the Police Overseas Service Medal, National Medal and clasp, United Nations Medal and the Royal Papua New Guinea Constabulary Centenary Medal.

He lives in Canberra, Australia and maintains an office in Sydney.

Dr Huang Xu (Ben) *Ph.D., B.Bus (appointed 1 July 2002)*
Age 48

Ben was appointed Non-Executive Director of ECSI on 1 July 2002 and provides on the ground experience of the Chinese market as well as extensive contacts to ECSI.

Ben currently runs his own business consultancy practice in Beijing where he assists new and established businesses across China develop alliances and partnerships to take advantages of opportunities arising from the opening up of the Chinese economy. Previously Ben worked for Coms21, an entity listed on the Australian Stock Exchange, as General Manager of its Chinese operations and the Research Centre of Development for the Chinese Central Government, developing extensive contacts and networks.

He lives in Beijing, China.

In addition to the above, the following Director resigned during the year:

Mal Weston *(resigned 1 August 2003)*

COMPANY SECRETARY

Stacey was appointed interim company secretary of ECSI and E-Control on 24 April 2003.

Stacey has been involved in the financial and administrative functions of public companies for over six years and was assistant to the former company secretary. Stacey has been an integral part of the financial and administrative management of ECSI's operating subsidiaries since incorporation in 1999.

PRINCIPAL ACTIVITIES

Since the consolidated entity was created on 11 February 2002 when ECSI purchased E-Control and its wholly owned subsidiary EC21 the principal activities of the consolidated entity have been as follows:

- Research, design and provision of security monitoring and access control system enhancements to the National Alarm Response (NAR) system being established in China by its partner, Jeton Yangtze Technology Company Limited ("Jeton"); and
- Provision of technical and financial support to Jeton to assist with the rollout of the NAR System.

There have been no significant changes in the nature of those activities during the year.

REVIEW OF OPERATIONS

Results for the year	Consolidated Entity A$'000	ECSI Limited A$'000
Revenues from ordinary activities	749	5
Loss from ordinary activities after tax attributable to members	(53,108)	(49,506)
Earnings per share	Cents	
Basic earnings per share	(26)	
Diluted earnings per share	(25)	

The net losses reported for the consolidated and parent entities ($53.1 million and $49.5 million respectively) include non-cash write downs totaling $51.8 million in the consolidated entity and $49.2 million in the parent entity.

Results for the period (excluding non-cash write downs) are as follows:

Results excluding non-cash write downs	Consolidated Entity A$'000	ECSI Limited A$'000
Revenues from ordinary activities	749	5
Loss from ordinary activities after tax attributable to members	(1,313)	(291)

In 2003 the consolidated entity has reported, for the first time, operating revenues totaling $0.4 million. This revenue is largely due to the revised Technical and Investment Co-operation Agreement entered into with Jeton, the group's joint venture partner in China.

The revised agreement entitles the ECSI group to 25% of Jeton's net profit generated from the base National Alarm Response ("NAR") system. In addition to providing an immediate revenue source, under the revised agreement the group provided a project facility of A$8.9 million to Jeton for the use in the roll out of the NAR system. The NAR system provides a secure communications network for on-line security monitoring of buildings, vehicles and personal residences.

Operating revenues from the current period are based on returns from one operational city, Chengdu. Jeton has licences to roll out the NAR system in ten cities throughout China and is in the process of obtaining an additional twenty licences.

During the current period significant expenditure has been incurred by Jeton due to the upgrade of the base NAR system in anticipation of the Beijing Olympics. Whilst we are disappointed that this upgrade has delayed the completion of roll outs in additional cities and decreased the net returns for the current period, we are also excited by the base that this upgrade provides for increased future returns.

In addition to the revised contract, during the year the company also announced the plan to take an equity position in Jeton via an offshore listing. Directors are pleased with the progression of the proposed equity placement and are looking forward to the additional benefits that will flow to ECSI under the arrangement.

DIVIDENDS

No dividends have been paid or declared by the consolidated entity since it was created and the Directors do not now recommend any payment of dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Former operations relating to previous periods

Prior to the purchase of E-Control in February 2002, ECSI (formerly named Omni Group Limited) operated in the telecommunications industry. Omni Group was placed into administration in December 2000 after large trading losses were incurred through some of its subsidiaries.

Omni Group was released from a deed of company arrangement in October 2001 and upon release entered into a share purchase agreement under which it agreed to purchase E-Control via the issue of ordinary shares. Since it was released from administration the company has not resumed its former operations and none of the former management is involved in the companies current operations as a security development company.

Accounting policies

During the period the directors received correspondence from the Australian Securities and Investments Commission ("ASIC") in accordance with an accounting surveillance project being carried out with regard to the 2002 financial year.

After significant correspondence with ASIC the following issues have been identified which effect this report:

- Comparative consolidated information 2002 - The 2002 financial report presented the financial results of the consolidated entity for the period of existence being 11 February 2002 to 30 June 2002.

  This approach was taken to ensure that the users of the financial report were provided with accurate results for the consolidated entity.

  After correspondence with ASIC the comparative information in this report has been restated from the previous period report and now includes the parent entities operating results for the period prior to the existence of the consolidated entity (1 July 2001 to 10 February 2002).

  The Directors advise that the operating results of the parent entity prior to the purchase of E-Control relate to its former operations in the telecommunications industry and the operations of the administrators and those results are not comparable to the entities current operations as a security technology company.

- Goodwill / Investment in E-Control - The 2002 financial report included an amount of $49,215,526, representing goodwill arising from the acquisition of E-Control, reported in the consolidated entity. This goodwill amount represented the excess of the purchase price paid for E-Control ($52.28 million via the issue of 130.7 million ECSI shares) over the net identifiable assets of E-Control ($3.06 million).

  Prior to the inclusion of goodwill in the financials, the Directors appointed an internationally acclaimed accounting firm to provide expert advice regarding some of the more complex accounting issues, including goodwill. The advice received from the independent expert supported the inclusion of goodwill in the financial statements.

  In accordance with the companies goodwill policy the Directors reviewed the carrying value of goodwill and resolved to write down the value to reflect the returns recorded in the current period. After significant correspondence with ASIC the directors subsequently agreed to comply with ASIC's request and to write off the unamortised goodwill in full in the current period. Directors also agreed, although it is against expert advice obtained, to report the write down as a fundamental error on the basis that the goodwill should not have been included in the previous period financial report.

  The treatment of a goodwill write off in the consolidated entity would not eliminate the initial investment ($52.28 million) recorded in the parent entity. As such the write down has been recorded as a diminution of the parent entities investment in E-Control. For further information regarding goodwill and the E-Control investment see notes 1 and 4.

For further information regarding accounting treatments and policies see note 1 to the accounts.

MATTERS OF SIGNIFICANCE OCCURRING SINCE THE END OF THE FINANCIAL YEAR

See "Capital Structure" for information on the issue of shares occurring since the end of the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity intends to continue with the supply of security monitoring and access control system enhancements to the NAR system as well as assisting Jeton with installation and training.

Whilst the upgrade of the base NAR system has delayed the provision of the above enhancements, it is anticipated that additional cashflows and profits will be generated shortly from the supply of these enhancements. It is also anticipated that the upcoming months will see the announcement of additional, Internationally recognised, partners recruited to assist in rollouts throughout China.

In the lead up to the Beijing Olympics ECSI and Jeton are well placed to capitalise on a number of security opportunities and the board of directors look forward to realising these opportunities.

IMPACT OF ENVIRONMENTAL LEGISLATION

Following a review of the groups operations, the Directors confirm that there are no particular environmental obligations to which the company or any of its controlled entities are subject to, outside of the usual common law and legislative requirements.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Indemnification

The company's constitution provides for an indemnity of Directors and Officers where liability is incurred in or arising out of the conduct of the business of the company or in or arising out of the discharge of the duties of the Director or Officer, unless the liability was incurred as a result of their dishonesty, negligence, lack of good faith or breach of duty. The indemnification will also meet the full amount of any such liabilities, including legal fees, incurred in defending any proceedings or appearing before any court, tribunal, government authority or otherwise.

Insurance Premiums

The company's constitution allows for the payment of a premium providing insurance against liability arising out of the conduct of the business of the company or in or arising out of the discharge of the duties of the Director or Officer. To date no such premiums have been paid due to the inability to secure such insurance at reasonable cost.

PARTICULARS OF SHARES HELD BY DIRECTORS IN ECSI LIMITED AS AT THE DATE OF THIS REPORT

	Shares beneficially held unless Otherwise indicated (1)	
	Quoted	Escrow (2)
Mr G.A. Green	-	47,806,317
Mr J. Green	-	47,806,317
Mr M.J. Weston	-	4,387,366
Mr J.W. Sharp	-	-
Dr X. Huang	-	-

(1) Beneficially held in own name, in name of trust, or nominee company or private company.

(2) Held in escrow until 8 April 2004.

There are no options on issue to Directors.

REVIEW OF FINANCIAL CONDITION

Capital Structure

During the period their were no changes to the capital structure however the company did issue a convertible note with a current face value of $250,000, convertible at the lower of market price or $0.40.

At the recommendation of the Remuneration Committee, the board established an option based employee incentive scheme in October 2002. The options have been issued to attract, motivate and retain key employees. The options have a strike price of $0.40 and can be converted into ordinary shares on a 1:1 basis. One half of the options granted vest after 12 months with the balance vesting in 24 months. Options at the date of this report total 2,250,000.

Since the end of the financial year the company has issued 4,361,642 ordinary shares at an issue price of $0.04 for the purpose of debt and liability reduction.

Cash from Operations

Net cash outflow from the groups operating activities for the period was $0.3 million, this result included minimal cash receipts from the NAR system.

Whilst minimal cash receipts arising from the revised technical and investment agreement continue to be received it is expected that additional receipts will flow from the enhancements to be provided to the NAR system.

Liquidity and Funding

The group has cash on hand of $0.92 million as at 30 June 2003. Debt facilities maturing over the next 12 months total $0.89 million. All debt facilities are fully utilised as at 30 June 2003. Whilst Directors believe that sufficient funds will be generated from China operations over the next 12 months, the group may nevertheless raise additional debt and/or equity funds should the opportunity arise.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Remuneration policy

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the CEO and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers 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.

Remuneration of Non-Executive Directors is determined by the Board within the maximum amounts approved by shareholders from time to time. This maximum is currently set at $250,000.

Details of the nature and amount of each element of the emolument of each Director of ECSI and each of the five executive officers of the consolidated entity receiving the highest emolument are set out in the following tables:

Emoluments of Directors of ECSI Limited

	Note	Salary / Directors Fee	Superannuation	Total
Executive Directors				
Mr G.A. Green	i	147,000	14,700	161,700
Mr M.J Weston[2]	i	126,000	12,600	138,600
Non-Executive Directors				
Mr J. Green	ii	60,000	5,400	65,400
Mr J.W. Sharp	ii	45,000	4,050	49,050
Dr X. Huang[1]	ii	45,000	4,050	49,050

(i) Executive directors emoluments relate to the consolidated entity.

(ii) Non Executive directors emoluments relate to the parent entity.

(1) Dr Huang was appointed as a Director of the company on 1 July 2002

(2) Mr Weston resigned as a Director of the company on 1 August 2003

Emoluments of the five most highly paid executive officers of the company and the consolidated entity(1) (2)

	Salary	Superannuation	Total
Mr T. Stone	160,000	14,400	174,400
Mr S. Owen	128,333	11,550	139,883
Ms S. Green	65,000	5,850	70,850
Mr S. Green	55,000	4,950	59,950
Mr C. Liu	46,000	4,140	50,140

(1) ECSI has no executive officers. All executive officers provide services to the consolidated entity.

(2) Excludes Executive Directors

DIRECTORS' MEETINGS

The number of meetings of directors (including committee meetings) held during the year and the number of meetings attended by each director were as follows:

			Committee Meetings					
Name	Board Meetings		Audit		Remuneration		New Business	
	Held (a)	Attended (b)	Held (a)	Attended (b)	Held (a)	Attended (b)	Held (a)	Attended (b)
Mr G.A. Green	6	6	*	*	*	*	*	*
Mr J. Green	6	6	1	1	1	1	6	2
Mr M.Weston	6	6	*	*	1	1	6	1
Mr J.W. Sharp	6	6	1	1	1	1	6	5
Dr. X. Huang	6	4	*	*	*	*	*	*

(a) Number of meetings held during the time the Director held office during the period

(b) Number of meetings attended

* Not a member of the Committee

PROCEEDINGS ON BEHALF OF THE COMPANY

ECSI is the plaintiff in proceedings against Acuity Technology Management Pty Ltd and Mr Randerson (Supreme Court of Victoria proceeding number 6126 of 1999) (the "Proceedings").

ECSI is indemnified by the trustees of the Omni Limited Creditors Trust for any costs or liabilities arising out of the Proceedings. Any proceeds of the Proceedings will become the property of the above Creditors Trust.

The Omni Limited Creditors Trust relates to the administration of the previous Omni business and all claims against, or debts payable by, ECSI, liquidated or unliquidated, present or future, certain or contingent and admissible to proof against ECSI have been wholly released and extinguished.

With the exception of the above Proceedings, no person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

During the period the company has also taken action to recover $2 million from a party who subscribed and was allocated shares under the March 2002 prospectus but whose cheque subsequently did not clear. For details on the progress of this action see note 25 - contingent assets.

With the exception of the above Proceedings, the company was not a party to any such proceedings during the period.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

G. A. Green

Graeme A. Green
Director

29 September 2003

Statement of Financial Performance

PERIOD ENDED 30 JUNE 2003	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 1/7/01 - 30/6/02 $'000	ECSI LIMITED 2003 $'000	ECSI LIMITED 2002 $'000
REVENUES FROM ORDINARY ACTIVITIES	2	**749**	641	**5**	615
Raw materials and consumables used		**(14)**	–	**–**	
Depreciation and amortisation expenses	3(a)	**(6)**	(1,028)	**–**	–
Borrowing costs expense	3(a)	**(91)**	(23)	**(23)**	–
Salaries and employee benefits expense		**(1,187)**	(513)	**(163)**	(120)
Write down of non current assets	3(b)	**(3,605)**	(3,577)	**–**	–
Correction of fundamental error	4	**(48,190)**	–	**(49,215)**	–
Deed of company arrangement		**–**	–	**–**	(251)
Other expenses from ordinary activities	3(a)	**(764)**	(717)	**(110)**	(299)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**(53,108)**	(5,217)	**(49,506)**	(55)
Income tax expense relating to ordinary activities (including the effect of the correction of the fundamental error)	5	**–**	–	**–**	–
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		**(53,108)**	(5,217)	**(49,506)**	(55)
Loss from extraordinary items after income tax benefit		**–**	–	**–**	–
NET LOSS ATTRIBUTABLE TO MEMBERS	20(b)	**(53,108)**	(5,217)	**(49,506)**	(55)
Net exchange difference on translation of financial statements of foreign controlled entity	20(a)	**(1,897)**	(1,233)		
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS AND RECOGNISED DIRECTLY IN EQUITY		**(1,897)**	(1,233)		
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS		**(55,005)**	(6,450)	**(49,506)**	(55)

EARNINGS PER SHARE	Note	CONSOLIDATED 2003	CONSOLIDATED 1/7/01 - 30/6/02
Basic earnings per share (cents per share)	27	**(26)**	(3)
Diluted earnings per share (cents per share)	27	**(25)**	(3)

Statement of Financial Position

AT 30 JUNE 2003	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	ECSI LIMITED 2003 $'000	ECSI LIMITED 2002 $'000
CURRENT ASSETS					
Cash assets	21(b)	**920**	11,587	**–**	6
Receivables	6	**4,709**	542	**68**	80
TOTAL CURRENT ASSETS		**5,629**	12,129	**68**	86
NON-CURRENT ASSETS					
Receivables	7	**5,055**	–	**14,539**	14,359
Other financial assets	8	**–**	156	**3,064**	52,280
Property, plant and equipment	10	**14**	43	**–**	–
Intangible assets	11	**–**	48,190	**–**	–
Other	12	**–**	3,470	**–**	–
TOTAL NON-CURRENT ASSETS		**5,069**	51,859	**17,603**	66,639
TOTAL ASSETS		**10,698**	63,988	**17,671**	66,725
CURRENT LIABILITIES					
Payables	13	**4,817**	2,983	**919**	717
Interest-bearing liabilities	14	**465**	20	**250**	–
Provisions	15	**96**	69	**–**	–
TOTAL CURRENT LIABILITIES		**5,378**	3,072	**1,169**	717
NON-CURRENT LIABILITIES					
Payables	16	**595**	989	**–**	–
Interest-bearing liabilities	17	**–**	230	**–**	–
Provisions	18	**117**	84	**–**	–
TOTAL NON-CURRENT LIABILITIES		**712**	1,303	**–**	–
TOTAL LIABILITIES		**6,090**	4,375	**1,169**	717
NET ASSETS		**4,608**	59,613	**16,502**	66,008
EQUITY					
Parent entity interest					
Contributed equity	19	**88,305**	88,305	**88,305**	88,305
Reserves	20	**(3,130)**	(1,233)	**–**	–
Accumulated losses	20	**(80,567)**	(27,459)	**(71,803)**	(22,297)
TOTAL EQUITY		**4,608**	59,613	**16,502**	66,008

Statement of Cash Flows

PERIOD ENDED 30 JUNE 2003	Note	CONSOLIDATED		ECSI LIMITED	
		2003	1/7/01 - 30/6/02	2003	2002
		$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**24**	_	_	_
Payments to suppliers and employees		**(298)**	(992)	**(5)**	(192)
Interest received		**13**	4	_	4
Borrowing costs		**(2)**	(9)	_	_
Administration deed loss		_	_	_	(420)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	21(a)	**(263)**	(997)	**(5)**	(608)
CASH FLOWS FROM INVESTING ACTIVITIES					
Advances to related parties		_	_	**(268)**	(13,443)
Repayment of advances to related parties		_	_	**17**	_
Loans advanced		_	(257)	_	_
Payments for property, plant and equipment		_	(1)	_	_
Proceeds from sale of property, plant and equipment		**15**		_	_
Payments for development costs		_	(134)	_	_
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**15**	(392)	**(251)**	(13,443)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		_	13,447	_	13,447
Proceeds from issues of convertible notes		**250**	_	**250**	_
Proceeds from borrowings		**6**	688	_	601
Repayments of borrowings		**(26)**	(22)	_	(11)
Advances of borrowings		**(8,870)**	_	_	_
NET CASH INFLOW FROM FINANCING ACTIVITIES		**(8,640)**	14,113	**250**	14,037
NET INCREASE/(DECREASE) IN CASH HELD		**(8,888)**	12,724	**(6)**	(14)
Cash at the beginning of the period		**11,587**	20	**6**	20
Exchange rate variations on foreign cash balances		**(1,780)**	(1,157)	_	_
CASH AT THE END OF THE FINANCIAL YEAR	21(b)	**919**	11,587	_	6

Notes to the Financial Statements

30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the consolidated entity comprising ECSI and its controlled entities and ECSI as an individual parent entity. ECSI is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the considerations given in the exchange for assets.

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

(a) Prior year comparative amounts

The consolidated entity first came into existence during the previous reporting period on 11 February 2002 when the parent entity acquired E-Control and its wholly owned subsidiary EC21.

The parent entity, ECSI, previously operated in the telecommunications sector until it was placed into Administration in December 2000. A deed of company arrangement was entered into in February 2001 with the approval of its creditors. This deed was terminated in October 2001 and the administrators were dismissed. Since this point in time neither the parent entity nor any of its subsidiaries have recommenced the former telecommunications business and no former management or directors are involved in the parent entity's activities.

The parent entity's financial results prior to the acquisition of E-Control relate to the former telecommunications business, operations of the administrators and the execution of the deed of company arrangement. These activities are not relevant to the parent entity's current operations as a security technology company.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the following:

(i) Prior year comparative amounts

In the previous period financial report the 2002 results of the consolidated entity were reported for the period that the consolidated entity existed being 11 February 2002 to 30 June 2002.

This approach was taken by Directors, after obtaining expert opinion from a top 5 accounting firm, to provide financial information that reported the actual financial result for the consolidated entity from the period of existence.

During the current period the Directors received correspondence from the Australian Securities and Investments Commission ("ASIC") in accordance with an accounting surveillance project being undertaken by ASIC.

ASIC advised that by interpretation of AASB 1034 "Financial Report Presentation and Disclosures" ("AASB 1034") the consolidated financial results should include the parent entities operations prior to the creation of the consolidated entity.

To comply with ASIC's advice the comparative consolidated information for 2002 has been restated to include the results of the parent entities operations prior to the existence of the consolidated entity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The parent entity results for the period prior to the creation of the consolidated entity (1 July 2001 to 10 February 2002) relate to the entities former telecommunications business and the operations of the company administrators.

The parent entities operating results prior to the existence of the consolidated entity are not related or comparable to the entities current operations as a security technology company.

(ii) Goodwill

In the previous period financial report the consolidated entity included an amount of $49,215,526 in goodwill arising from the February 2002 acquisition of E-Control (less amortisation expense for the period of $1,025,323).

The consideration for the purchase was $52,280,000 payable through the issue of 130.7 million ordinary ECSI shares, fully paid at $0.40. The fair value of the identifiable net assets of E-Control acquired was $3,064,474. The excess of the purchase consideration over the fair value of identifiable net assets acquired was recorded as goodwill. This amount was $49,215,526.

The prospectus issued in March 2002 included consolidated pro-forma financial statements to show what the combined group would look like. In these pro-forma accounts, which were indicative only in nature and not statutory accounts of the consolidated entity, the Directors decided to write-off the goodwill amount and carry the investment in E-Control at a value equivalent to the net identifiable assets.

Prior to the inclusion of goodwill in the previous period financial report the Directors commissioned a top five accounting firm to review and advise on complex accounting issues including that of goodwill. Considering the expert advice obtained and based on the forecasted returns expected to be gained under the Jeton contract the Directors resolved to include the goodwill in the 2002 financial results.

The correspondence received by Directors from ASIC in accordance with ASIC's accounting surveillance project included a review of the goodwill treatment recorded in the entities 2002 financial report.

In accordance with the entities accounting policies the Directors reviewed the carrying amount of the unamortised goodwill balance and after a review of current period results resolved to write down the value to reflect actual returns gained in the current period.

ASIC reviewed the Directors proposed treatment of goodwill however after significant correspondence did not agree with the proposed goodwill write down.

ASIC advised Directors that the inclusion of the goodwill in the 2002 financial report was not in accordance with AASB 1013 "Accounting for Goodwill" based on the lack of evidence available to support the value of goodwill as at the date of acquisition.

In accordance with ASIC's advice the Directors agreed to write off the full amount of goodwill in the current period and to treat the write off as a fundamental error in accordance with AASB 1018 "Statement of Financial Performance".

Accordingly the Investment in E-Control has been written down, as a permanent diminution, to $3,064,474.

For further information regarding the write off see note 4 to this report and the general commentary included in the "significant changes in the state of affairs" included in the Directors Report.

(c) Principles of consolidation

The consolidated financial information reports the results of the consolidated entity, which consists of ECSI, E-Control and EC21 (China).

The consolidated entity was created on 11 February 2002 when ECSI purchased E-Control and EC21. As discussed above ECSI's operations prior to this acquisition are neither relevant nor comparable to current operations however to comply with AASB 1034 the comparative consolidated information has been restated to include the parent entities operations prior to the E-Control acquisition on 11 February 2002.

All intercompany balances and transactions between entities in the consolidated entity have been eliminated in full including any unrealised profits or losses.

30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) 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.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised are included in the profit from ordinary activity as they arise.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the reporting 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.

Translation of financial reports of overseas operations

The operations of EC21 in China are deemed self-sustaining, as it is financially and operationally independent of ECSI. The financial reports of EC21 are translated using the current rate method whereby trading results are converted at the average rates of exchange for the year and assets and liabilities are converted at the closing rates on the period end date. Any exchange differences arising on the translation are taken directly to the foreign currency translation reserve.

(e) Cash and cash equivalents

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.

Interest is charged as an expense as it accrues.

(f) Investments

All non-current investments are carried at the lower of cost or recoverable amount.

(g) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount, assets are written down. Recoverable amount is calculated as the net amount expected to be recovered through cash inflows and outflows from the assets continued use and subsequent disposal. Discounting has not been used.

(h) Property, plant and equipment

Cost and valuation

All classes of plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a diminishing value basis on all plant and equipment.

Depreciation rates used for each class of assets are as follows:

Plant and equipment	25% - 40%
Motor vehicles	22.5%

30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) 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. The consolidated entity presently has no finance 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.

(j) Intangibles

Goodwill

As discussed in Note 1(b) (ii) the goodwill amount of $49,215,526 (less amortisation expense) reported in the 2002 financial report has been written off and treated as a fundamental error in the current period report. This treatment has been taken by Directors after advice received from ASIC in accordance with an accounting surveillance project undertaken by ASIC for the previous reporting period.

The previous period accounting policy for goodwill was as follows:

The reported goodwill is being amortised over a 20-year period as the benefits accruing to the consolidated entity from its relationship with Jeton are expected to extend well beyond the current 10-year life of the existing contract. The amortisation process commenced in February 2002, coinciding with the acquisition of E-Control.

Consistent with the requirements of AASB 1013: Accounting for Goodwill, Directors will regularly review the carrying value of goodwill which will be written down if it no longer satisfies the future benefits test.

For further information regarding goodwill treatment see Note 1 (b) (ii) and Note 4 to this report.

(k) 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 the 10-year life of the Jeton contract, with amortisation commencing when sales revenue is first booked under that contract.

The carrying value of research and development is reviewed annually by the Directors and written down where it is considered appropriate.

In accordance with the entities policy, during the current period the Directors have reviewed the carrying value of these costs and have resolved to write down the carrying value to nil.

The deferred costs relate to the carrying out of research and development in Australia on a variety of projects specifically conducted for the purpose of meeting its contractual obligations under the Jeton Supply Contract and to earn profit from the provision of security monitoring and access control system enhancements.

The Directors resolution to write off the deferred costs was based on a review of current period results and the inability of the entity to gain returns from the deferred costs in the current period via the supply of enhancements to the NAR system.

Whilst Directors believe that significant gains will be forthcoming via the supply of enhancements for the NAR system no such results have been recorded in the current period and thus these benefits cannot be assessed beyond any reasonable doubt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Expenditure carried forward

Expenditure carried forward will be amortised over the 10-year life of the Jeton contract, with amortisation commencing when sales revenue is first booked under that contract.

The carrying value of development and preliminary expenditure is reviewed annually by Directors and written down where it is considered appropriate.

In accordance with the entities policy, during the current period the Directors have reviewed the carrying value of these costs and have resolved to write down the carrying value to nil.

The deferred costs relate to development and preliminary expenditure in China consisting of pre-rollout and systems development costs necessarily incurred as part of the successful and profitable commercialisation of the contract with Jeton. These costs were capitalised in accordance with *AASB 1010: Recoverable Amount of Non-Current Assets* as future benefits are expected, beyond any reasonable doubt, to exceed those costs.

As per research and development costs, the Directors resolution to write off the deferred costs was based on a review of current period results and the inability of the entity to gain returns from the deferred costs in the current period via the supply of enhancements to the NAR system.

(l) Payables

Liabilities for trade creditors, accruals 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.

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.

(m) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(n) Provisions

Provisions are recognised when the group 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, and 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.

(o) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the parent entity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group 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

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

During the period the entity has reported revenue under the revised Technical and Investment Co-operation Agreement signed with Jeton in December 2002. The accounting policy in regard to this new entitlement is as follows:

Entitlement to profit on the core NAR system

Based on 25% entitlement to net profit earned from all NAR system installations, both existing and future, commencing on 1 July 2002. Entitlement advised by Jeton in writing on a quarterly basis.

(q) Taxes

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.

To date net future income tax benefits have not been carried forward as it is not considered that the virtual certainty test can be satisfied due to the start-up nature of the business.

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 current 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.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

30 JUNE 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Employee entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include annual leave and annual leave loading (if applicable).

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. Annual leave expected to be settled after 12 months but within 24 months of the reporting date is also measured at nominal amounts.

The entity presently has no long service leave liabilities outstanding or accumulating due to the start-up nature of its business.

(s) Derivative financial instruments

Neither the parent entity nor any of its subsidiaries had any derivative financial instruments outstanding at the end of the period. None have been used or established between the end of the period and the date of this report.

(t) Earnings per share

Basic EPS is calculated as net profit (loss) attributable to members divided by the weighted average number of ordinary shares.

The calculation for Diluted EPS is calculated for the net profit attributable to members, adjusted for the interest associated with dilutive potential ordinary shares that have been recognised as expenses, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(u) Going concern

This financial report has been prepared on a going concern basis. This is notwithstanding that at the present time the company is awaiting working capital injection from several sources. These include, but are not limited to, an overseas working capital injection and the receipt of further returns in relation to the NAR system. Should these funds not become available then a different basis of preparing the financial report may need to be adopted.

30 JUNE 2003	Note	CONSOLIDATED		ECSI LIMITED	
		2003	1/7/01 - 30/6/02	2003	2002
		$'000	$'000	$'000	$'000
2. REVENUE FROM ORDINARY ACTIVITIES					
Revenue from operating activities					
Revenue from sale of goods		**18**	_	_	_
Revenue from services		**426**	_	_	_
Total revenue from operating activities		**444**	_	_	_
Revenues from non-operating activities					
Foreign currency gain		**35**	26	_	_
Forgiveness of loan owed by ECSI Limited		_	590	_	590
Expense reimbursement from company arrangement		_	11	_	11
Net gains from disposal of property, plant & equipment		**26**	6	_	6
Superannuation surplus		_	2	_	2
Other revenue		_	2	_	2
Interest from:					
Other entities		**244**	4	**5**	4
Total revenues from non-operating activities		**305**	641	**5**	615
Total revenues from ordinary activities		**749**	641	**5**	615

3. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities before income tax has been determined after:

		CONSOLIDATED 2003	1/7/01 - 30/6/02	ECSI LIMITED 2003	2002
(a) Expenses					
Cost of goods sold		**14**	_	_	_
Depreciation of non-current assets					
Plant & equipment		**6**	3	_	_
Total depreciation of non-current assets		**6**	3	_	_
Amortisation of non-current assets					
Goodwill		_	1,025	_	_
Total amortisation of non-current assets		_	1,025	_	_
Total depreciation and amortisation expenses		**6**	1,028	_	_
Borrowing costs expensed					
Interest expense					
Other entities		**91**	23	**23**	_
Total borrowing costs expensed		**91**	23	**23**	_
Operating lease rental					
Minimum lease payments		**247**	102	_	_
Total operating lease rental		**247**	102	_	_

30 JUNE 2003	Note	CONSOLIDATED		ECSI LIMITED	
		2003	1/7/01 - 30/6/02	2003	2002
		$'000	$'000	$'000	$'000
(b) Significant items					
The following significant expense item is relevant in explaining the financial performance:					
Write down of non-current assets:					
Capitalised expenses		**3,450**	3,426	_	_
Investments		**155**	150	_	_
Plant and equipment		_	1	_	_
		3,605	3,577	_	

4. FUNDAMENTAL ERROR IN VALUE OF E-CONTROL

As reported in note 1(b) (ii) and note 1 (j) the entities consolidated accounts for 2002 included an amount of $49,215,526 goodwill (less amortisation expense for the period or $1,025,323) arising from the acquisition of E-Control on 11 February 2002. As disclosed in the referenced notes the Directors agreed to comply with ASIC's advice that the goodwill should have been written off in full in 2002 (although this is against advice received from a top five accounting expert).

Accordingly the value of the investment in E-Control has been written down to the fair value of the assets at the time of acquisition.

Had the write down occurred in the 2002 financial period, restated financial information for 2003 and 2002 would be as follows:

	CONSOLIDATED		ECSI LIMITED	
	2003	1/7/01 - 30/6/02	2003	2002
	$'000	$'000	$'000	$'000
Pro forma Statement of Financial Performance	restated	Restated	restated	Restated
REVENUES FROM ORDINARY ACTIVITIES	**749**	641	**5**	615
Raw materials and consumables used	**(14)**	_	_	_
Depreciation and amortisation expense	**(6)**	(1028)	_	_
Borrowing costs expense	**(91)**	(23)	**(23)**	_
Salaries and employee benefits expense	**(1,187)**	(513)	**(164)**	(120)
Write down of non current assets	**(3,605)**	(3,577)	_	_
Write off for Goodwill on acquisition / Investment in E-Control	_	(48,190)	_	(49,215)
Deed of company arrangement	_	_	_	(251)
Other expenses from ordinary activities	**(764)**	(717)	**(109)**	(299)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE	**(4,918)**	(53,407)	**(291)**	(49,270)
Income tax expense relating to ordinary activities	_	_	_	_
LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	**(4,918)**	(53,407)	**(291)**	(49,270)
Loss from extraordinary items after income tax benefit	_	_	_	_
NET LOSS ATTRIBUTABLE TO MEMBERS	**(4,918)**	(53,407)	**(291)**	(49,270)
Restatement of Accumulated Losses				
Previously reported balance at the end of the previous financial year	**(27,459)**	(22,242)	**(22,297)**	(22,242)
Correction of fundamental error	**(48,190)**	_ (i)	**(49,215)**	_ (i)
Restated accumulated losses at beginning of financial year	**(75,649)**	(22,242)	**(71,512)**	(22,242)
Net loss attributable to members	**(4,918)**	(53,407)	**(291)**	(49,270)
Restated retained profits at the reporting date	**(80,567)**	(75,649)	**(71,803)**	**(71,512)**

(i) Accumulated losses at the end of 2001 does not need to be restated because the fundamental error occurred during 2002.

30 JUNE 2003	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 1/7/01 - 30/6/02 $'000	ECSI LIMITED 2003 $'000	ECSI LIMITED 2002 $'000
5. INCOME TAX					
Prima facie tax on profit from ordinary activities		**(15,932)**	(1,565)	**(14,852)**	(16)
Tax effect of permanent differences					
Amortisation of intangible assets		**–**	308	**–**	–
Other non allowable items		**15,355**	554	**14,776**	66
		(577)	(703)	**(76)**	50
Losses not recognised as future income tax benefits		**577**	703	**76**	(50)
Income tax attributable to ordinary activities		**–**	–	**–**	–
6. RECEIVABLES (CURRENT)					
Other debtors	6(i)	**4,525**	258	**–**	–
GST recoverable		**184**	183	**68**	80
Other receivables	6(ii)	**–**	101	**–**	–
		4,709	542	**68**	80

(a) Terms and conditions

(i) Represents funds advanced to Jeton under Technical and Investment Cooperation Agreements (Interest 5% per annum) plus balance of profits payable from the base NAR system.

(ii) Other receivables are non-interest bearing and are expected to be recovered between 30 and 90 days.

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	ECSI LIMITED 2003 $'000	ECSI LIMITED 2002 $'000
7. RECEIVABLES (NON-CURRENT)					
Other receivables		**5,136**	–	**–**	–
Provision for doubtful debts		**(81)**	–	**–**	–
		5,055	–	**–**	–
Related party receivables					
Wholly-owned group					
Controlled entities	32	**–**	–	**14,539**	14,359
		–	–	**14,539**	14,359
		5,055	–	**14,539**	14,359
(i) Includes balance of funds lent to Jeton under Technical and Investment Cooperation Agreements (Interest 5% per annum)					
8. OTHER FINANCIAL ASSETS (NON-CURRENT)					
Investments at cost comprise:					
Investments in non-controlled entities - unlisted		**–**	156	**–**	–
		–	156	**–**	–
Investment in controlled entities - unlisted	9	**–**	–	**3,064**	52,280
		–	156	**3,064**	52,280
Total investments		**–**	156	**3,064**	52,280

30 JUNE 2003

9. CONTROLLED ENTITIES

a. Controlled entities and interests

Parent entity: ECSI Limited

Controlled entities of ECSI Limited:

Name	Country of incorporation	Percentage of equity interest		Investment	
		2003	2002	2003	2002
		%	%	$	$
Omnitel (Aust) Pty Ltd	Australia	**100**	100	**1**	**1**
Omni Easy Rent Pty Ltd	Australia	**100**	100	**100**	**100**
E-Control Pty Ltd	Australia	**100**	100	**3,064,474**	**52,280,000**
Electronics & Computing 21 Limited	China	**100**	100	–	–
E-Commerce Development Limited	Hong Kong	**100**	100	–	–
				3,064,575	**52,280,101**

b. Controlled entities acquired

No entities were acquired during the current period.

In the previous reporting period ECSI acquired 100% of E-Control and it's Chinese subsidiary EC21 for consideration of 130,700,000 fully paid shares at $0.40. ECSI also acquired the right to 100% ownership in E-Commerce Development, a non-operational shell established to conduct future operations in Hong Kong.

c. Controlled entities disposed of

No entities were disposed of during the current period. During the previous period ECSI wrote off its investment of $2 in Omni Telecommunications (Singapore) Pte Ltd due to its deregistration. In the current period ECSI wrote down its investment in E-Control to $3,064,474, for further information see note 1, note 4 and the general commentary included in the Directors Report.

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	ECSI LIMITED 2003 $'000	ECSI LIMITED 2002 $'000
10. PROPERTY, PLANT AND EQUIPMENT					
Plant and equipment					
At cost		**39**	80	–	–
Accumulated depreciation		**(25)**	(37)	–	–
Total property, plant and equipment	10 (i)	**14**	43	–	–
(i) **Reconciliation**					
Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current period.					
Plant and equipment					
Opening balance		**43**	–	–	–
Additions		–	1	–	–
Additions through acquisition of entities		–	48	–	–
Write off of assets scrapped during the period		–	(1)	–	–
Disposals		**(20)**	–	–	–
Depreciation expense		**(6)**	–	–	–
Net foreign currency movements arising from self-sustaining foreign operation		**(3)**	(5)	–	–
		14	43	–	–

30 JUNE 2003	Note	CONSOLIDATED		ECSI LIMITED	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
11. INTANGIBLES					
Goodwill	11(i)	–	49,215	–	–
Accumulated amortisation		–	(1,025)	–	–
		–	48,190	–	–

(i) In the previous reporting period ECSI acquired E-Control for consideration of $52,280,000. The fair value of the identifiable net assets of E-Control at the time of acquisition was $3,064,474. In the previous reporting period the excess of the purchase consideration over the fair value of the identifiable net assets acquired was recorded as goodwill in the accounts of the consolidated entity.

As discussed throughout this report the balance of the carrying value of goodwill has been written off in the current period and the reporting of goodwill for the previous period has been treated as a fundamental error. For further information see note 1 (b) (ii), note 1 (j) and note 4.

	Note	CONSOLIDATED		ECSI LIMITED	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
12. OTHER NON-CURRENT ASSETS					
a) Deferred research and development costs					
Balance at beginning of year		2,862	–	–	–
Additions through acquisition of entity		–	2,764	–	–
Research and development costs incurred during the period and deferred		–	98	–	–
Write down of recoverable amount		(2,862)	–	–	–
Balance at end of period		–	2,862	–	–
b) Deferred development and preliminary costs					
Balance at beginning of year		608	–	–	–
Additions through acquisition of entity		–	497	–	–
Development and preliminary costs incurred during the period and deferred		–	111	–	–
Write down of recoverable amount		(514)	–	–	–
Net foreign currency movements arising from self-sustaining foreign operations		(94)	–	–	–
Balance at end of period		–	608	–	–
		–	3,470	–	–

30 JUNE 2003	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	ECSI LIMITED 2003 $'000	ECSI LIMITED 2002 $'000
13. PAYABLES (CURRENT)					
Trade creditors	13 (a),(b)	**1,947**	1,395	**598**	424
Other creditors	13 (b)	**101**	36	**–**	–
Payable to directors and director related entities	32	**396**	25	**–**	–
Accrued expenses		**2,321**	1,475	**321**	293
Non interest bearing loan	13 (b)	**52**	52	**–**	–
		4,817	2,983	**919**	717
(a) Australian dollar equivalents of amounts payable in foreign currencies not effectively hedged:					
– Hong Kong and Singapore dollars		**77**	55	**22**	–

(b) Terms and conditions relating to creditors and financial instruments:

(i) Trade creditors are non-interest bearing and are normally payable within 30 days

(ii) Other creditors are non interest bearing and expected to be repaid within 12 months

(iii) Details of terms and conditions for related parties are set out in note 32

(iv) Non interest bearing loans are expected to be repaid within 90 days

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	ECSI LIMITED 2003 $'000	ECSI LIMITED 2002 $'000
14. INTEREST-BEARING LIABILITIES (CURRENT)					
Unsecured					
Convertible note		**250**	–	**250**	
Other loans	34	**215**	20	**–**	–
		465	20	**250**	–
15. PROVISIONS (CURRENT)					
Employee entitlements	23	**96**	69	**–**	–
		96	69	**–**	–
16. PAYABLES (NON-CURRENT)					
Aggregate amounts payable to related parties:					
Director-related entities	32	**595**	989	**–**	–
		595	989	**–**	–
17. INTEREST-BEARING LIABILITIES (NON-CURRENT)					
Unsecured					
Other loans	34	**–**	230	**–**	–
		–	230	**–**	–

30 JUNE 2003	Note	CONSOLIDATED		ECSI LIMITED	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
18. PROVISIONS (NON-CURRENT)					
Employee entitlements	23	**117**	84	_	_
		117	84	_	_
19. CONTRIBUTED EQUITY					
Issued and paid up capital					
Ordinary shares fully paid	19(a)	**88,305**	88,305	88,305	88,305
		88,305	88,305	88,305	88,305

(a) **Movements in shares on issue**

		2003		2002	
		Number of shares	$'000	Number of shares	$'000
Beginning of the period		**200,469,969**	**88,305**	33,452,677	22,079
Issued during the year					
Public equity raising	(i)	_	_	21,924,501	8,770
Transaction costs	(i)	_	_		(581)
Purchase of E-Control	(ii)	_	_	130,700,000	52,280
Issued under share purchase agreement	(iii)	_	_	14,392,791	5,757
End of the financial year		**200,469,969**	**88,305**	200,469,969	88,305

(i) In March 2002, ECSI issued 21,924,501 fully paid ordinary shares at $0.40 to raise funds for the rollout of the NAR system in China and for the supply of its security monitoring and access control system enhancements. Costs associated with this equity raising have been applied against contributed equity.

(ii) On 11 February 2002 130,700,000 fully paid ordinary shares were issued for the purchase of E-Control and it's wholly owned Chinese subsidiary, EC21.

(iii) Under the E-Control share purchase agreement 2,683,188 fully paid ordinary shares were issued to E-Control creditors in settlement of $1,073,275 of outstanding liabilities. A further 11,709,603 fully paid ordinary shares were issued for redemption of a convertible note with a face value of $4,683,841.

(b) **Terms and condition 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 the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

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

30 JUNE 2003	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	ECSI LIMITED 2003 $'000	ECSI LIMITED 2002 $'000
20. RESERVES AND ACCUMULATED LOSSES					
Foreign currency translation	20(a)	**(3,130)**	(1,233)	–	–
		(3,130)	(1,233)	–	–
Accumulated losses	20(b)	**(80,567)**	(27,459)	**(71,803)**	(22,297)
(a) **Foreign currency translation**					
(i) Nature and purpose of reserve					
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.					
(ii) Movements in reserve					
Balance at beginning of period		**(1,233)**	–	–	–
Gain (loss) on translation of overseas controlled entities		**(1,897)**	(1,233)	–	–
Balance at end of year		**(3,130)**	(1,233)	–	–
(b) **Accumulated losses**					
Balance at the beginning of period		(27,459)	(22,242)	**(22,297)**	(22,242)
Net loss attributable to members of ECSI Limited		(53,108)		**(49,506)**	(55)
Net loss attributable to members 1/7/01 - 10/2/02	iii		284		
Net loss attributable to member 11/2/02 - 30/6/02	iii		(5,501)		
Balance at end of year		**(80,567)**	(27,459)	**(71,803)**	(22,297)

(iii) In the previous period financial report the results of the consolidated entity were presented for the period that the consolidated entity existed being 11 February 2001 to 30 June 2002. To comply AASB 1034 "Financial Report Presentation and Disclosures" ("AASB 1034") the comparative financial information for the previous period has been restated to include the parent entity results for the period prior to the existence of the consolidated entity (1 July 2001 to 10 February 2002).

30 JUNE 2003	Note	CONSOLIDATED		ECSI LIMITED	
		2003	1/7/01 - 30/6/02	2003	2002
		$'000	$'000	$'000	$'000
21. STATEMENT OF CASH FLOWS					
(a) **Reconciliation of the net profit after tax to the net cash flows from operations**					
Net loss		**(53,108)**	(5,217)	**(49,506)**	(55)
Non-cash Items in loss from operating activities					
Depreciation of non-current assets		**6**	3	_	_
Amortisation of goodwill		_	1,025	_	_
Write down in value of non-current assets		**3,605**	3,577	_	_
Forgiveness of liability owed by ECSI Limited		_	(590)	_	(590)
Net (profit)/loss on disposal of plant and equipment		_	_	_	(6)
Write down in goodwill / value of Investment		**48,190**	_	**49,215**	_
Bad debts		**93**	_	_	_
Net foreign currency (gains)/losses		**(35)**	(26)	_	_
Other adjustments					
Administrator and company arrangement costs		_	240	_	240
Other income for administrator		_	(4)	_	(4)
Share issue costs written off		_	(581)	_	(581)
Changes in assets and liabilities					
(Increase)/decrease in receivables		**(393)**	(68)	**78**	(80)
(Increase)/decrease in deferred research , development and preliminary expenditure		_	(61)	_	_
(Increase)/decrease in non-current assets		**36**			
(Decrease)/increase in trade and other creditors		**1,349**	672	**208**	468
(Decrease)/increase in employee entitlements		**59**	33	_	_
Exchange rate variances		**(65)**			
Net cash flow from operating activities		**(263)**	(997)	**(5)**	(608)
(b) **Reconciliation of cash**					
Cash balance comprises:					
Cash assets		**920**	**11,587**	_	**6**
Overdraft		**(1)**	_	_	_
Closing cash balance		**919**	**11,587**	_	**6**
(c) **Financing facilities available**					
At balance date, the following financing facilities had been negotiated and were available:					
Facilities available at balance date	(i)	**1,479**	**1,291**	**250**	_
Facilities used at balance date		**1,479**	**1,291**	**250**	_
Facilities unused at balance date		_	_	_	_
(i) All loan facilities are unsecured and include:					
Non interest bearing amounts from director related entities	32	**963**	**989**	_	_
Interest bearing amounts from other entities		**214**	**250**	_	_
Non interest bearing amount from other entity		**52**	**52**	_	_
Interest bearing convertible note		**250**	_	**250**	
		1,479	**1,291**	**250**	_

30 JUNE 2003

21. STATEMENT OF CASH FLOWS (cont'd)

(d) **Acquisition of Controlled Entity**

The group did not acquire any entities during the current period.

In the previous period ECSI acquired 100% of E-Control and it's wholly owned Chinese subsidiary EC21.

The purchase consideration for the acquisition was 130,700,000 fully paid ordinary shares in ECSI at $0.40 totaling $52,280,000. As discussed in notes 1 and 4 the value of the E-Control investment has been written down to $3,064,464 in the current period.

The group is investigating the acquisition of further entities to add additional value to the group however the quantum or timing of any possible acquisitions cannot be assessed until due diligence processes and valuations are undertaken.

	Note	CONSOLIDATED 2003 $'000	CONSOLIDATED 2002 $'000	ECSI LIMITED 2003 $'000	ECSI LIMITED 2002 $'000
22. EXPENDITURE COMMITMENTS					
(a) **Lease expenditure commitments**					
Operating leases (non cancellable):					
Minimum lease payments	22(i)				
Not later than one year		**249**	242	_	_
Later than one year and not later than five years		**329**	560	_	_
Aggregate lease expenditure contracted for at balance date		**578**	802	_	_
Contingent lease payments	22(ii)				
Not later than one year		**80**	80	_	_
Later than one year and not later than five years		**106**	186	_	_
Aggregate contingent lease expenditure		**186**	266	_	_

(i) E-Control has entered into a non-cancellable property lease over 3 years to accommodate future expansion of operations and employees.

EC21 has entered into a month to month rental agreement for a period of 3 months.

Leased equipment is non cancellable over a period of 3 years.

(ii) Contingent lease payments relate to a non occupied area of the property lease currently occupied by a third party.

(b) **Capital expenditure commitments**

The company presently has no capital expenditure commitments.

30 JUNE 2003	Note	CONSOLIDATED		ECSI LIMITED	
		2003	2002	2003	2002
		$'000	$'000	$'000	$'000
23. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS					
Employee Entitlements					
The aggregate employee entitlement liability is comprised of:					
Provisions (current)	ii	**96**	69	_	_
Provisions (non-current)	ii	**117**	84	_	_
		213	153	_	_
i. Number of employees at end of financial year		**13**	15	**2**	3

ii. Provisions consist of annual leave entitlements. No employees presently qualify for any long service entitlement.

Superannuation Commitments

The company pays employee superannuation contributions to various externally managed funds.

The company contributed the statutory rate of 9% of employee gross wages. Contributions for Executive Directors are at a rate of 10%.

All superannuation schemes to which the company contributes are accumulated benefit programs.

24. CONTINGENT LIABILITIES

ECSI is the defendant in proceedings lodged with the Supreme Court in Victoria in September 2002.

The proceedings relate to a previous business venture, unrelated to the company's present business. Whilst the Directors believe the proceedings are without merit, the Omni Creditors Trust, established in October 2001, indemnifies ECSI from previous liabilities in any case.

25. CONTINGENT ASSETS

The parent entity has commenced legal action against a party who subscribed for and was allocated $2 million in shares under the March 2002 Prospectus but whose cheque subsequently did not clear.

The company has been successful in its action however the party has subsequently been entered into liquidation. Solicitors acting for the entity are pursuing recovery with the parties liquidator however it is not presently possible to predict with any degree of certainty what the quantum or timing of any recovery will be.

26. SUBSEQUENT EVENTS

The entity issued 4,361,642 ordinary fully paid shares at $0.04 on 15 August 2003 for the purposes of debt and liability reduction.

27. ECONOMIC DEPENDENCY

The groups principal business is the supply of security monitoring and access control system enhancements to the NAR system currently being established in China by Jeton.

EC21 entered into a 10-year supply contract with Jeton in May 2001. This supply contract, whilst exclusive, does not oblige Jeton to purchase any minimum amount of equipment from EC21 nor does it set any minimum prices.

The success of the group is to a high degree dependent on Jeton and EC21 continuing to have a close relationship and it being in Jeton's commercial interest to continue doing business with EC21.

Over time it is the Boards intention to diversify the groups business operations to ensure that it is not so heavily dependent upon its relationship with Jeton or even upon doing business solely in China. It is however expected that for the next several years the success of the entity will be closely tied to the success of Jeton.

30 JUNE 2003

27. ECONOMIC DEPENDENCY (cont'd)

In the mean time a number of risk management strategies have been put in place by the Board to protect and enhance the relationship between Jeton and the group. These include:

- A Technical and Investment agreement has been entered into between Jeton and EC21 whereby EC21 will lend project funds to Jeton to assist it accelerate the rollout of the NAR system. At 30 June 2002 $0.3 million has been lent to Jeton;
- The principal shareholder and CEO of Jeton, Mr Lu Xiao Bing is a substantial shareholder in ECSI owning 16,000,000 shares (approximately 8%);
- The Commercial Director of Jeton, Mr Du Kui is a substantial shareholder in ECSI owning 4,000,000 shares (approximately 2%); and
- The personal relationship existing between Mr Graeme Green and Mr Lu Xiao Bing has been developed over the last 8 years and both men and their families are very close. In recent years this relationship has extended to other Board members and officers of both ECSI and Jeton. Mr Graeme Green also spends extensive amounts of time in China continuing to develop and grow the relationship with Mr Lu Xiao Bing and Jeton

	CONSOLIDATED	
	2003	2002
	$'000	$'000
28. EARNINGS PER SHARE		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net loss attributable to members (Earnings used in calculating basic earnings per share):	**(53,108)**	(5,217)
Earnings used in calculating for diluted securities:		
Net loss attributable to members	**(53,108)**	(5,217)
Add back: Interest on convertible note	**23**	_
Earnings used in calculated diluted earnings per share	**(53,085)**	(5,217)
	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share:	**200,469,969**	179,121,801
Effect of dilutive securities:		
Convertible note	**8,403,583**	_
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**208,873,552**	179,121,801

Conversions, calls, subscription or issues after 30 June 2002

Since the end of the financial year 4,361,642 ordinary shares have been issued, details are provided in note 26 - subsequent event.

30 JUNE 2003	Note	CONSOLIDATED 2003 $	CONSOLIDATED 1/7/01 - 30/6/02 $	ECSI LIMITED 2003 $	ECSI LIMITED 2002 $
29. REMUNERATION OF DIRECTORS					
Income paid or payable, or otherwise made available, 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:		**423,000**	298,750		
Income paid or payable, or otherwise made available, to all directors of ECSI Limited, directly or indirectly, from the entity or any related party:				**150,000**	120,000
The number of Directors of ECSI Limited whose income (including superannuation contributions) falls within the following bands is:				**No.**	**No.**
$0 - $9,999				–	–
$10,000 - $19,999				–	2
$20,000 - $29,999				–	–
$30,000 - $39,999				–	3
$40,000 - $49,999				**2**	–
$50,000 - $59,999				–	–
$60,000 - $69,999				**1**	–

30. REMUNERATION OF EXECUTIVES	CONSOLIDATED 2003 $	CONSOLIDATED 1/7/01 - 30/6/02 $	ECSI LIMITED 2003 $	ECSI LIMITED 2002 $
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:	**561,333**	–		
Remuneration received or due and receivable by executive officers of the company whose remuneration is $100,000 or more, from the company or any 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:			–	–
The number of executives of the consolidated entity and the company whose remuneration falls within the following bands:				
$100,000 - $109,999	–	–	–	–
$110,000 - $119,999	–	–	–	–
$120,000 - $129,999	**2**	–	–	–
$130,000 - $139,999	–	–	–	–
$140,000 - $149,999	**1**	–	–	–
$150,000 - $159,999	–	–	–	–
$160,000 - $169,999	**1**	–	–	–

ECSI did not employ any executive officers during either period.

30 JUNE 2003	Note	CONSOLIDATED		ECSI LIMITED	
		2003	1/7/01 - 30/6/02	2003	2002
			$		$
31. AUDITORS' REMUNERATION					
Amounts received or due and receivable by McKenzie & Partners for:					
– Audits or reviews		**29,425**	25,723	**29,425**	**25,723**
– Other services		**7,041**	–	**3,411**	–
		34,466	25,723	**32,836**	**25,723**
Amounts received or due and receivable by auditors other than McKenzie & Partners for:					
– Audits or reviews		**2,896**	–	–	–
		2,896	–	–	–

32. RELATED PARTY DISCLOSURES

Directors

The directors of ECSI Limited during the financial year were:

Mr G.A. Green

Mr J. Green

Mr M.J. Weston (resigned 1 August 2003)

Mr J.W. Sharp

Dr. X. Huang (appointed 1 July 2002)

Wholly-owned group transactions

Loans

Interest free unsecured loans made by ECSI Limited to wholly owned subsidiaries are not repayable until such time when the subsidiaries have surplus funds to meet these liabilities.

Director-related entity transactions

Director-related entity's

Felscot Pty Ltd is a company owned by Mr G.A. Green and Mr J. Green and of which Mr G. A. Green is sole director.

Anozira Pty Ltd is a company owned by Mr G.A. Green and Mr J. Green and of which Mr G. A. Green and Mr J. Green are sole directors.

Services

ECSI currently occupies premises owned by Felscot Pty Limited on a rent-free basis.

Loans

Felscot negotiated a secured loan with an external party. The net funds of $237,373 (after payment of transaction costs) were provided to E-Control as an unsecured loan and are not repayable until such time when E-Control has surplus funds to meet this liability. Felscot presently charges interest at 7.9% pa which is the same rate payable to the external party. The interest paid during the period was $1,725.32

Felscot has provided an interest free unsecured loan to E-Control the balance at the end of financial year being $41,898. This loan is repayable when E-Control has surplus funds to meet this liability.

Anozira has provided an interest free unsecured loan to E-Control the balance at the end of financial year being $922,442. This loan is repayable when E-Control has surplus funds to meet this liability.

Director transactions

Loans

Mr M.J. Weston negotiated an unsecured loan of $25,000 with an external party. These funds were provided to E-Control as an unsecured loan and are repayable when E-Control has surplus funds to meet this liability. Interest is charged at the same rate payable to the external party. The interest charged during the year was $3,178.

30 JUNE 2003

32. RELATED PARTY DISCLOSURES (cont'd)

Equity interests of directors held at balance date

Interests in the equity instruments of ECSI Limited held by directors of the reporting entity and their director-related entities:

	Ordinary Shares Fully Paid
	2003
	Number
M.J. Weston	4,387,366
Anozira Pty Ltd[1]	95,612,634
	100,000,000

(1) Anozira is a company owned by Mr G.A. Green and Mr J. Green and of which Mr G. A. Green and Mr J. Green are sole directors.

Movements in directors' equity holdings

There have been transactions concerning equity instruments during the financial year with directors or their director-related entities.

Ultimate parent

ECSI Limited is the ultimate parent company.

33. SEGMENT INFORMATION

Segment business and locations

The consolidated entity operated in one industry segment during the current reporting period that being the provision of security monitoring and access control system enhancements.

Geographically, the group operates in two segments, being Australia and China. Financial results for each segment are provided below.

Segment accounting policies are the same as the consolidated entity's policies described in Note 1.

30 JUNE 2003

33. SEGMENT INFORMATION (cont'd)

	Australia		China		Elimination's		Consolidated	
	2003 A$'000	2002 A$'000	2003 A$'000	2002	2003 A$'000	2002 A$'000	2003 A$'000	2002 A$'000
Revenue:								
Segment revenues	53	637	452	-	-	-	**505**	**637**
Unallocated revenues							**244**	**4**
Total consolidated revenue							**749**	**641**
Results:								
Segment result	(52,850)	(5,194)	(167)	-	-	-	**(53,017)**	**(5,194)**
Unallocated expenses							**(91)**	**(23)**
Net profit / (loss) from ordinary activities							**(53,108)**	**(5,217)**
Assets:								
Segment assets	13,213	64,460	10,508	12,567	(13,023)	(13,039)	**10,698**	**63,988**
Liabilities:								
Segment liabilities	5,997	4,303	10,130	11,948	(10,037)	(11,876)	**6,090**	**4,375**
Other segment information:								
Acquisition of non-current assets	-	6,312	-	632	-	-	**-**	**6,944**
Depreciation	3	3	3	2		-	**6**	**5**
Amortisation	-	1,025	-	-	-	-	-	**1,025**
Other non-cash expenses	51,208	3,577	680	-	-	-	**51,888**	**3,577**

30 JUNE 2003

34. FINANCIAL INSTRUMENTS

33(a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the reporting date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 %	2002 %
(i) Financial assets														
Cash	**919**	11,586	**–**	–	**–**	–	**–**	–	**1**	1	**920**	11,587	**0.2**	0.1
Other receivables	**–**	–	**4,218**	257	**4,870**	–	**–**	–	**676**	285	**9,764**	542	**4.7**	2.4
Investments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	156	**–**	156	**N/A**	N/A
Total financial assets	**919**	11,586	**4,218**	257	**4,870**	–	**–**	–	**677**	442	**10,684**	12,285		

N/A - not applicable for non-interest bearing financial instruments.

Financial Instruments	Floating interest rate		1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount		Weighted average effective interest rate	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 $'000	2002 $'000	2003 %	2002 %
(ii) Financial liabilities														
Trade creditors	**–**	–	**–**	–	**–**	–	**–**	–	**1,947**	1,395	**1,947**	1,395	**N/A**	N/A
Other creditors	**–**	–	**–**	–	**–**	–	**–**	–	**2,421**	1,536	**2,421**	1,536	**N/A**	N/A
Bank and other loans	**1**	–	**–**	20	**464**	230	**–**	–	**52**	52	**517**	302	**8.1**	6.5
Payable – other related parties	**–**	–	**–**	–	**–**	–	**–**	–	**992**	989	**992**	989	**N/A**	N/A
Total financial liabilities	**1**	–	**–**	20	**464**	230	**–**	–	**5,412**	3,972	**5,877**	4,222		

N/A not applicable for non-interest bearing financial instruments.

30 JUNE 2003

34. FINANCIAL INSTRUMENTS (cont'd)

33(b) Net fair values

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

Recognised financial instruments

Cash and cash equivalents: The carrying amount approximates fair value because of their short-term to maturity.

Other receivables, trade and other creditors/payables: The carrying amount approximates fair value.

Investments: The carrying amount approximates fair value and is carried at the lower of cost and recoverable amount.

33(c) Credit risk exposures

The consolidated entity's maximum exposures, excluding any collateral or other security held, to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position and notes to financial accounts.

35. COMPANY DETAILS

The registered address of the company is:

Unit 1, 52 Hoskins Street Mitchell ACT 2911

The principal place of business is:

Unit 1, 52 Hoskins Street Mitchell ACT 2911

36. CHANGE OF NAME

The company changed its name from Omni Group Limited to ECSI Limited on 19 February 2002.

Directors Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 9 to 36, are in accordance with the Corporations Act 2001, including:

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

   (ii) 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 period ended on that date; and

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

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

On behalf of the Board

G. A. Green

Graeme A. Green
Director

29 September 2003

ECSI Limited ABN 68 004 240 313 and Controlled Entities

Independent Audit Report
To the Members of ECSI Limited

Scope
We have audited the financial report comprising the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to the Financial Statement and Directors Declaration of ECSI Limited and controlled entities for the financial year ended 30 June 2003.

The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion
In our opinion, the financial report of ECSI Limited is in accordance with:

a. 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 in Australia and the Corporations Regulations 2001; and
b. other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern
Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matter described in Note 1 on Going Concern, the accounts have been prepared on that basis. The financial report needs to be read in conjunction with that note.

McKenzie & Partners
Chartered Accountants

Andrew P Roscoe
Partner

Dated 30 September 2003

McKENZIE & PARTNERS

Partners
William G Anderson F.C.A., C.P.A.
Andrew P Roscoe C.A.
Associates
[illegible] W [illegible] C.A.
[illegible] C.A.
Consultants
Roderick C McKenzie F.C.A.

Level 2, 479 St Kilda Road
Melbourne, Victoria 3004
Australia
PO Box 7260, St Kilda Road 3004
Telephone: (03) 9867 [illegible]
Facsimile: (03) 9867 [illegible]
Email Address:
[illegible]

Represented Nationally
and Worldwide as a Member
Firm of [illegible] International
• Adelaide • Brisbane
• Perth • Sydney

ABN [illegible]

McKenzie & Partners
Chartered Accountants

Corporate Governance Statement

The Board is accountable to shareholders for the business and affairs of the consolidated entity. Specifically the Board is responsible for:

- setting the strategic direction of the group;
- establishing goals and objectives for management;
- reviewing the performance of the CEO and executive team; and
- ensuring that adequate systems of internal controls exist and are appropriately monitored for compliance.
- The responsibility for implementing the strategic direction and the day-to-day affairs of the company is delegated to the CEO.

The Board is supported by several committees of its members. These committees comprise the Remuneration Committee, Audit Committee and New Business Committee. The committees operate under a charter approved by the Board.

Composition of the Board

The Board of ECSI Limited presently consists of four Directors. Three of these, including the Chairman are non-executive Directors. The composition of the Board is determined in accordance with the following principles and guidelines:

- the board should comprise a minimum of four Directors and contain a majority of non-executive Directors;
- the board should comprise Directors with an appropriate range of qualifications and expertise;
- the chairperson must be a non-executive Director; and
- the board shall meet on a monthly basis (or as deemed necessary by Directors) 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.

Non-executive Directors are remunerated by fees determined by the Board within the present aggregate limit of $250,000 approved by shareholders in February 2002.

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

Name	**Position**
Mr J. Green	Chairman, Non-Executive Director
Mr G.A. Green	CEO and Managing Director
Mr J.W. Sharp	Non-Executive Director
Mr X. Huang	Non-Executive Director

Remuneration Committee

The Remuneration Committee supports and advises the Board on executive remuneration policy and makes recommendations to the Board on the remuneration of the Directors, including the CEO.

The Remuneration Committee is presently overseeing the development of an employee equity scheme to align the goals of the company with those of its employees as well as to attract and retain quality personnel. This scheme, once finalised, will be tabled for shareholder review and approval.

Members of the Remuneration Committee at the date of this report were Mr J. Green (Chairman) and Mr J.W. Sharp.

Audit Committee

The Audit Committee advises on the establishment and maintenance of a framework of internal controls including the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Committee reviews the management of significant business risks facing the entity. The Committee provides a link between the external auditors and the Board, and monitors compliance with statutory responsibilities. The Committee has unrestricted access to management, employees and ECSI's external auditors.

Members of the Audit Committee at the date of this report were Mr J. Green (Chairman) and Mr J.W. Sharp.

New Business Committee

The New Business Committee has been empowered by the Board to manage and control the assessment, review, analysis and recommendation of all business opportunities presented to the company. The board must still approve the recommendations of the Committee. The Committee provides assurance to shareholders and the Board that all business opportunities are subject to comprehensive financial, legal and due diligence review.

Members of the New Business Committee at the date of this report were Mr J. Green (Chairman) and Mr J.W. Sharp. Other Directors and Executives are rotated through the committee on a relevant experience basis.

Communication to Shareholders and Continuous Disclosure Obligations

The Board places considerable importance on effective communications with shareholders. Forthright communication is a key plank in building sustained shareholder value. Whilst ECSI only has limited resources and personnel it is intended to have a corporate web site operational prior to the end of the 2003 year. This web site will include details of all announcements to the ASX, annual and semi-annual reports and copies of business presentations.

In addition to meeting the objective of effective communication with shareholders, Directors and executives of the company understand that timely disclosure of relevant information is central to the operation of an efficient securities market. All Directors and executives of the company who, in the performance of their duties, become aware of information that may have a material effect on the price of the company's shares, must notify the Company Secretary as soon as they become aware of that information.

The Company Secretary takes primary responsibility for communications with the ASX in relation to listing rule obligations, including obligations of continuous disclosure.

Board Meetings

The number of meetings held during the year is detailed on page 7. Eleven meetings of the Board have been scheduled for this current financial year.

The agenda for meetings is prepared by the Company Secretary in conjunction with the Chairman and CEO. Any member of the Board may request the addition of an item to the agenda and time is typically available at the end of the meeting for the raising of new business. Papers and submissions are circulated in either electronic or hard copy to Directors, typically five working days in advance of the meeting. Members of the Executive Committee are invited to join the Board for discussion of relevant agenda items.

The Company Secretary

The Company Secretary is appointed by the Board and works with the Chairman to ensure that procedures, applicable rules and regulations relating to the Board are followed. The Company Secretary also works closely and pro-actively with the Chairman to monitor and enhance corporate governance processes. All Directors have access to the advice and services of the Company Secretary. The Company Secretary is Stacey Green.

Securities Trading Policy

Directors and employees are subject to the Corporations Act restrictions on trading securities in the Company if they are in possession of inside information. This is regarded as any information that is non-public and, if it were public, that a reasonable person would expect to have a material effect on the price of the Company's securities.

In addition, the company has established a policy on the trading in ECSI's securities, which applies to all Directors and employees. Key aspects of this policy are as follows:

- Directors and employees are encouraged to be long-term holders of the company's securities and are discouraged from any short-term trading;
- Directors and employees may trade shares for 4 weeks following announcement of the annual results, half-year results and the annual general meeting, provided the market has been fully informed. However a trading embargo of 2 days applies immediately after any significant announcement;
- Directors and employees need to ensure that the market is fully informed before they trade and to protect themselves should discuss the intended share trading with the Chairman or Company Secretary;
- Trading outside of the four-week period is required to be approved by the Chairman, prior to any transaction occurring. Generally, if the market is fully informed, the approval will be granted.
- Directors are required to notify the Company Secretary within 2 days of a change in their beneficial interest in the company's shares.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the company's expense. Prior approval of the Chairman is required, which may not be unreasonably withheld.

Usage of Cash and Assets Readily Convertible to Cash

The Board is able to confirm that in accordance with ASX Listing Rule 4.10.19 the company used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its stated business objectives.