COPY

XTEK TRAINING PTY LIMITED

ABN 45 063 807 787

FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2003

CONTENTS

Xtek Training Pty Limited

Directors' Report

Your directors submit their report for the year ended 30 June 2003.

Directors

The names of the directors in office during the financial year and until the date of this report were:

Nigel French
Don Williams

Principal Activities

The principal activities of the company during the year were supplying defence and security related services to government entities.

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

Review of Operations

XTEK Training was established in FY02/03 to provide training in specialist training fields, initially in x-ray interpretation. The company has established itself as a leader in this field and has gained a contract to provide on-going training to security staff at Parliament House Canberra. Similar training has also been provided to other government and commercial entities. A formal relationship has been established with Kangan Batman TAFE to develop and promote security training packages. In FY04/05 XTEK Training will expand both the range of training products offered and its client base.

Results of Operations

The profit of the company after income tax for the year ended 30 June 2003 was $18,578.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the company during the financial year, which are not disclosed in the financial report.

Significant Events after the Balance Date

There were no significant events after the balance date, which may affect the company's operations or results of those operations or the company's state of affairs.

Dividends

There were no dividends paid or declared during the year.

Future Developments and Results

Xtek Training Pty Ltd will continue to operate in the same industry for the 2004 financial year.

Xtek Training Pty Limited

Directors' Report (continued)

Employees

As at 30 June 2003, the company employed 2 staff.

Registered Office

The registered office of Xtek Training Pty Limited is located at 25 Yalloum Street Fyshwick ACT 2609.

Indemnification and Insurance of Directors and Officers

During the financial year, the company has not entered into a contract insuring all the directors of Xtek Training Pty Ltd against costs incurred in defending proceedings for conduct involving:

a) A wilful breach of duty; or
b) A contravention of sections 182 or 183 of the Corporations Act 2001,

as permitted by section 199B of the Corporations Act 2001.

Signed in accordance with a resolution of the directors.

Nigel French
Director

Canberra
3 November 2003

Xtek Training Pty Limited

Directors' Declaration

In accordance with a resolution of the directors of Xtek Training Pty Ltd, I state that:

In the opinion of the directors:

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

  i. giving a true and fair view of the company's financial position as at 30 June 2003 and of its performance for the year ended on that date; and

  ii. complying with Accounting Standards and Corporations Regulations 2001 in Australia; and

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

On behalf of the Board

Nigel French
Director

Canberra
3 November 2003

ERNST & YOUNG

120 Collins Street
Melbourne VIC 3000
Australia

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Melbourne VIC 3001

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DX 293 Melbourne

Independent audit report to members of Xtek Training Pty Limited

Scope

The financial report and directors' responsibilities
The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Xtek Training Pty Limited (the company), for the year ended 30 June 2003.

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

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

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

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

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

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

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

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

ERNST & YOUNG

Independence

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

Audit opinion

In our opinion, the financial report of Xtek Training Pty Limited is in accordance with:

(a) the Corporations Act 2001, including:
   (i) giving a true and fair view of the financial position of Xtek Training Pty Limited as at 30 June 2003 and of its performance for the year ended on that date; and
   (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst + Young

Ernst & Young

G Knuckey

Geoff Knuckey
Partner
Canberra
3 November 2003

Xtek Training Pty Limited

STATEMENT OF FINANCIAL PERFORMANCE
YEAR ENDED 30 JUNE 2003

	Note	2003 $
Revenues from ordinary activities	2	88,501
Raw materials and consumables used	3	(986)
Depreciation expenses	3	(34,115)
Borrowing costs expenses	3	(7,125)
Employee benefits expenses	3	-
Other expenses from ordinary activities	3	(19,735)
Profit from ordinary activities before income tax expense		26,540
Income tax expense relating to ordinary activities	4	(7,962)
Net profit from ordinary activities after income tax attributable to members of Xtek Training Pty Ltd		18,578
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Xtek Training Pty Ltd		18,578

Xtek Training Pty Limited

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2003

	Note	2003 $
CURRENT ASSETS		
Cash assets	15(b)	503
Receivables	5	-
Other assets	6	-
TOTAL CURRENT ASSETS		503
NON-CURRENT ASSETS		
Property, plant and equipment	7	33,421
TOTAL NON-CURRENT ASSETS		33,421
TOTAL ASSETS		33,924
CURRENT LIABILITIES		
Payables	8	148
Interest bearing liabilities	9	37,011
Current tax liabilities	10	5,895
Provisions	12	-
TOTAL CURRENT LIABILITIES		43,054
NON-CURRENT LIABILITIES		
Other liabilities	11	(33,399)
TOTAL NON-CURRENT LIABILITIES		(33,399)
TOTAL LIABILITIES		9,655
NET ASSETS		24,269
EQUITY		
Contributed equity	13	100
Retained profits	14	24,169
TOTAL EQUITY		24,269

Xtek Training Pty Limited

STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2003

	Note	2003
		$
Cash Flows from Operating Activities		
Receipts from customers		93,451
Payments to suppliers and employees		(30,400)
Interest received		-
Borrowing costs		-
Income tax paid		-
Interest paid		(6,626)
Net Cash Flows from Operating Activities	15(a)	56,425
Cash Flows from Investing Activities		
Payments for property, plant and equipment		(210)
Net Cash Flows from Investing Activities		(210)
Cash Flows from Financing Activities		
Proceeds from loan		-
Repayment of loan		(35,506)
Repayment of hire purchase liabilities		(36,237)
Net Cash Flows from Financing Activities		(71,743)
Net increase in cash held		(15,528)
Add opening cash carried forward		16,031
Closing cash carried forward	15(b)	**503**

Notes to and Forming Part of the Financial Statements
30 June 2003

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

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

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

The accounting policies adopted are consistent with those of the previous year.

(b) Cash and Cash Equivalent

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

Cash on hand and in banks are stated at nominal value.

(c) 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 times items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) TAXES (continued)

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.

(d) 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. In determining recoverable amount the expected cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

(e) PROPERTY, PLANT AND EQUIPMENT

Cost and Valuation
Property, plant & equipment are all measured at cost.

Depreciation
Depreciation is provided for using both diminishing value and prime cost basis on property, plant and equipment.

Major depreciation periods are:

	2003
Plant and equipment	3 to 10 years
Plant and equipment under lease	Term of the lease

(f) 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.

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

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

Notes to and Forming Part of the Financial Statements
30 June 2003

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) LEASES (continued)

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

(g) PROVISIONS

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

(h) EMPLOYEES' BENEFITS

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, long service leave and sick leave.

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

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

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
- other types of employee entitlements, are charged against profits on a net basis in their respective categories.

Notes to and Forming Part of the Financial Statements
30 June 2003

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) REVENUE RECOGNITION

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

Rendering of Services

Revenue is recognised to the extent that costs have been incurred.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Xtek Training Pty Ltd

Notes to and forming part of the financial statements
30 June 2003

	2003 $
Note 2: Revenue from Ordinary Activities	
Revenue from Operating Activities	
Sales	88,501
Total Revenues from Operating Activities	88,501
Revenue from Non-Operating activities	
Interest	-
Total Revenues from Non-Operating Activities	-
Total Revenues from Ordinary Activities	88,501
Note 3: Expenses and Losses (Gains)	
Cost of Goods Sold	986
Depreciation of Non-Current Assets	
Office Furniture & Equipment	34,115
Plant & Equipment	-
Total Depreciation of Non-Current Assets	34,115
Borrowing Costs	
Interest Expense	6,626
Other Borrowing Costs	499
Total Borrowing Costs	7,125
Employee Benefits Expense	
Salaries and Wages	-
Total Employee Benefits Expenses	-
Expenses & Losses (Gains)	
Other Expenses	
Accountancy Fees	1,594
Consultancy Fees	16,038
Employee Leave Provision	-
Fringe Benefits Tax	-
Insurance	1,803
Operating Leasing Charges	-
Motor Vehicle Expenses	-
Rent	-
Telephone	-
Travelling Expenses	-
Other Expenses	300
	19,735

	2003 $
Note 4: Income Tax Expense	
The prima facie tax on operating profit items differs from the income tax provided in the financial statements as follows:	
Prima facie tax on profit from ordinary activities	7,962
Future income tax benefit not brought to account	-
Income tax attributable to ordinary activities	7,962
Note 5: Receivables (Current)	
Trade Debtors	-
	-
Note 6: Other Assets (Current)	
Prepayments	-
	-
Note 7: Property Plant & Equipment	
Office Furniture & Equipment at cost	102,469
Accumulated Depreciation	(69,048)
	33,421
Plant & Equipment at cost	-
Less: Accumulated Depreciation	-
	-
Total Written Down Amount	33,421

Reconciliations of the carrying amounts of other assets and buildings at the beginning and end of the current and previous financial year.

Office Furniture & Equipment	
Carrying amount at beginning	67,008
Additions	528
Disposals	-
Depreciation expense	(34,115)
	33,421
Plant & Equipment	
Carrying amount at beginning	-
Additions	-
Disposals	-
Depreciation expense	-
	-

Xtek Training Pty Ltd

Notes to and forming part of the financial statements
30 June 2003

	2003
	$
Note 8: Payables (Current)	
Trade Creditors	-
Sundry Creditors	-
Goods and Services Tax	148
	148
Note 9: Interest Bearing Liabilities (Current)	
Hire Purchase Liability	37,011
Note 10: Provisions (Current)	
Provision for Income Tax	5,895
Note 11: Other Liabilities (Non-Current)	
Loan - Related Entities	
Xtek Pty Ltd	23,781
Xtek Holdings Pty Ltd	(45,529)
Xtek Management Pty Ltd	(11,651)
	(33,399)
Note 12: Provisions (Non-Current)	
Employee Benefits	-
Note 13: Contributed Equity	
Paid Up Capital:	
100 Fully Paid Ordinary Shares	100
Note 14: Retained profits	
Retained Profits	24,169
Balance at beginning of year	5,591
Net profit attributable to members	18,578
Balance at end of year	24,169

	2003 $
Note 15: Statement of Cashflows	
a) Reconciliation of the operating profit after tax to the net cash flow from operations:	
Operating profit (loss) after income tax	18,578
Non-cash flows in profit from ordinary activities	
Depreciation	34,115
Changes in Assets and Liabilities:	
Increase (Decrease) in trade creditors	(2,665)
(Increase)/ Decrease in income in advance	(3,543)
(Increase)/ Decrease in receivables	4,950
(Increase)/ Decrease in prepayments	-
Increase/(Decrease) in income taxes payable	4,990
Increase/(Decrease) in employee benefits	-
Cash flows from operations	56,425
b) Reconciliation of Cash	
Cash at Bank	503
Closing Cash Balance	503

Note 16: Expenditure Commitments

Hire Purchase	
- not later than one year	37,011
- later than one year not later than five	-
- later than five years	-
- lease liability	37,011
- current liability	37,011

Note 17: Related Party Disclosures

Remuneration of Directors
Remuneration received or receivable by all directors of the company:

From the company/related party in connection with the management of the company	-

The names of directors who have held office during the financial year are:
Nigel French
Don Williams

Loans Payable

Xtek Pty Ltd (as disclosed in Note 11)	23,781

The loan payable to Xtek Pty Ltd is interest-free

Xtek Training Pty Limited

Notes to and Forming Part of the Financial Statements

Note 18 Financial Instruments

(a) Terms, conditions and accounting policies

The company's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
(i) Financial Assets			
Receivables - trade	5	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are on a combination of 7 and 14 day terms from date of invoice.
(ii) Financial Liabilities			
Trade creditors and sundry creditors	8	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company.	Trade liabilities are normally settled on 30 day terms.
Interest bearing liabilities	9,11	The lease liability is accounted for in accordance with AASB 1008.	As at balance date of 30 June 2003, the company had a hire purchase liability. The average discount rate implicit in the hire purchase agreement was 12%. Related party loans are interest free.

Notes to and forming part of the financial statements
30 June 2004

Note 18: Financial Instruments (Continued)

(b) Interest rate risk

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

		Fixed Interest Rate				
Financial Instruments	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**Non-interest bearing**	**Total carrying amount as per the**	**Weighted average effective interest rate**
	2003			**2003**	**2003**	**2003**
	$			**$**	**$**	**%**
(i) Financial assets						
Cash	503			-	503	0.05
Trade and other receivables	-			-	-	N/A
Total financial assets	**503**			**-**	**503**	
(ii) Financial liabilities						
Trade Creditors				-	-	N/A
Other Creditors				-	-	N/A
Lease Liability			37,011	-	37,011	12
Loan Related Party				(33,399)	(33,399)	N/A
Total financial liabilities	**0**	**-**	**37,011**	**(33,399)**	**3,612**	

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

Notes to and Forming Part of the Financial Statements

Note 18 Financial Instruments (Continued)

(c) Net fair values

Financial assets and financial liabilities, both recognised and unrecognised, at balance date, are carried at their net fair value. The carrying amounts of the company's financial assets and financial liabilities are the same as their net fair value.

(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.

Trade receivables and trade creditors: The carrying amount approximates fair value.

Borrowings: The carrying amount approximates fair value.

Unrecognised financial instruments:

There are no unrecognised financial instruments.

(d) Credit risk exposures

The company's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk

The company minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of government entities. The majority of customers are concentrated in Australia.