

**EZENET LIMITED**  
**A.B.N. 84 083 646 477**

**ANNUAL REPORT**

**30 JUNE 2003**

**EZENET LIMITED  
CORPORATE DIRECTORY  
A.B.N. 84 083 646 477**

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**Directors**

W G Martinick  
Chairman

L H Chapman  
Managing Director

G R O'Dea  
Non-Executive Director

N T O'Loughlin  
Non-Executive Director

**Company Secretary**

S M O Watson

**Registered Office and Principal Place of Business**

Unit 3  
73 Troy Terrace  
Jolimont WA 6014  
Telephone: 9388 2000  
Fax: 9388 2999  
Web Site: ezenet.com.au

**Share Registry**

Computershare Registry Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St George's Terrace  
Perth WA 6000

**Auditors**

Ernst & Young  
Central Park  
152 St George's Terrace  
Perth WA 6000

**Bank**

Challenge Bank  
109 St George's Terrace  
Perth WA 6000

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## **EZENET LIMITED DIRECTORS' REPORT**

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

### **DIRECTORS**

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

<p>M G Martinick B.Sc, Ph.D, Environmental Scientist (Non-Executive Chairman)</p>	<p>Dr Wolf Martinick was appointed a director on 13 January 2003. He is an experienced environmental scientist with extensive experience in the resource industry. He is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy and a past Vice President of the Association of Mining and Exploration Companies. He is a Director and shareholder of Martinick Investments Pty Ltd, Martinick Management Services Pty Ltd and Martinick Bosch Sell Pty Ltd (trading as MBS Environmental). He is also a non-executive Director of Sun Resources NL and he was a Director of Basin Minerals Limited from 1996 to 2002 and participated in negotiating the friendly takeover of this company by Iluka Resources Limited. He has been associated for over thirty years with the exploration and mining industry in Australia, especially pertaining to environmental, water and land access issues and more recently due diligence studies of mining projects around the world on behalf of major financial institutions.</p>
<p>L H Chapman (Managing Director)</p>	<p>Mr Chapman formed Ezenet Pty Ltd in 1998 and was appointed a director on 29 July 1998. He has considerable business experience particularly in sales and marketing. He was the founder of Movielink Corporation Ltd; a company, which pioneered the movie, supply business to hotels in Australia.</p>
<p>G R O'Dea (Non-Executive Director)</p>	<p>Mr O'Dea was appointed a director on 7 March 2002. He is a former business development manager for The West Australian Newspaper with 30 years media experience in radio, television, press and outdoor advertising.</p>
<p>N T O'Loughlin B.Sc (Hons), M.Sc, M AusIMM, Geologist (Non-Executive Director)</p>	<p>Mr Neil O'Loughlin was appointed a director on 13 January 2003. He obtained a B.Sc (Hons) in Mining Geology from University College Cardiff, Wales and a M.Sc. from the University of Manchester Institute of Science and Technology. He is a member of the Australasian Institute of Mining and Metallurgy with over seventeen years experience in exploration and mining of a range of commodities in Australia and overseas. Prior to his involvement with Ezenet Ltd, he was Technical Director of Basin Minerals Ltd from 1996 to 2002 when the company was the subject of a friendly take over by Iluka Resources Ltd.</p>

**EZENET LIMITED  
DIRECTORS' REPORT (Cont'd)**

**DIRECTORS (Cont'd)**

M D Cardaci BJuris, LLB, BCom  
(Non-Executive Chairman)

Mr Cardaci is a practising lawyer and acted as Non-Executive Chairman from 23 October 2002 to 13 January 2003.

P J Whyte, BEc LLB  
(Non-Executive Chairman)

Mr Whyte is a practising commercial lawyer and acted as Non-Executive Chairman from 16 April 1999 to 16 October 2002.

**PRINCIPAL ACTIVITIES**

The principal activity during the year of entities within the consolidated entity was the provision of digital movie services to the hospitality and mining industries.

There has been no significant change to this activity during the year.

The consolidated entity's business is conducted from operations located in Australia.

**CORPORATE INFORMATION**

Ezenet Limited is a company limited by shares and is incorporated and domiciled in Australia. It has prepared a consolidated financial report incorporating Ezetel Pty Ltd, a wholly owned entity incorporated on 12 May 2003.

The consolidated entity employed 5 people at 30 June 2003 (2002: 4 people).

**OPERATING RESULTS**

The consolidated entity's revenue was \$500,117 and the loss after providing for income tax was \$706,772 for the financial year. (2002: revenue \$326,785, loss \$832,515)

<b>EARNINGS PER SHARE</b>	<b>2003</b>	<b>2002</b>
Basic and diluted loss per share (cents)	(1.8)	(2.8)

**DIVIDENDS PAID OR PROPOSED**

The company has not paid any dividends since the commencement of the financial year, and no dividends are proposed to be paid.

**EZENET LIMITED**  
**DIRECTORS' REPORT (Cont'd)**

**REVIEW OF OPERATIONS, LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The company has concentrated on developing and marketing its digital and movie system into hotels, motels and mining camps throughout Australia. The company has raised additional capital of \$1,445,913 during the last financial year and after the end of the financial year.

In order to enhance the existing digital movie system, the company has entered into a Distribution Agreement of the holding company of Airwave Europe Limited to distribute in Australia and New Zealand Videojock and Smovie hand pieces. These products will enhance the existing digital movie business and the company is presently assessing the programme for the application and operation of the new product.

	<b>2003</b>	<b>2002</b>
	\$	\$
Operating revenue	500,117	326,785
Operating loss	(706,772)	(832,515)

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The consolidated entity is not subject to any environmental regulations.

**SHARE OPTIONS**

**Unissued shares**

At the date of this report there were 36,548,588 unissued ordinary shares under options (46,735,000) at reporting date. Refer to note 13 of the financial statements for further details of the options outstanding.

There are no participating rights or entitlements inherent in the options to participate in any new issues of capital which may be offered to shareholders of the company from time to time prior to the expiry date of the options and they do not participate in any bonus issue of securities unless and until the options are exercised.

**Shares issued as a result of the exercise of options**

No options have been exercised either during the financial year or since the end of the financial year.

**INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY**

As at the date of this report the interests of the directors in the securities of the company were:

	<u>Ordinary Shares</u>	<u>Options over Ordinary</u> <u>Shares</u>
W G Martinick	7,123,993	7,575,912
L H Chapman	2,077,419	1,000,000
G R O'Dea	66,000	3,000,000
N T O'Loughlin	1,981,169	4,159,088

**EZENET LIMITED**  
**DIRECTORS' REPORT (Cont'd)**

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

As indicated in the review of operations, the company raised \$1,445,913 during the financial year and post year-end through the placement of shares. These funds have been used in the working capital of the company and to provide a solid financial basis as the company continues to develop its digital movie system.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

1. In August 2003 the company signed an Australian and New Zealand Distribution Agreement with Airwave Europe Limited for the distribution rights to a new hotel pay system and has commenced marketing initiatives for the product in Australia.
2. On 18 August 2003 the company signed a Memorandum of Understanding with a large gold mining resource company in China to establish a strategic alliance to develop opportunities of mutual interest in China.
3. The company has completed placements of 10,813,588 shares and options to raise a total of \$1,184,155.

**INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY**

During or since the end of the financial year, no director has had any interest in a contract or proposed contract with the company being an interest the nature of which has been declared by the director in accordance with Section 300(11)(d) of the Corporations Act 2001.

**DIRECTORS' MEETINGS**

During the year 16 directors' meetings were held. The number of meetings attended by each director was as follows:

	No. of meetings held while in office	Meetings attended
W G Martinick	4	4
L H Chapman	16	16
G R O'Dea	16	16
N T O'Loughlin	4	4
M D Cardaci	1	1
P J Whyte	11	7

As at the date of this report, the company did not have an audit committee, as the directors believe the size of the company does not warrant its existence.

**EZENET LIMITED**  
**DIRECTORS' REPORT (Cont'd)**

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

No indemnities have been given or agreements made during or since the end of the year for both current and former directors and officers of the consolidated entity.

During the financial year, the company has not paid any premiums in respect of a contract insuring any the directors of Ezenet Limited against a liability incurred in their role as directors of the company.

**DIRECTORS' AND OTHER OFFICER'S EMOLUMENTS**

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors. The Board periodically assesses the appropriateness of the nature and amount of emoluments of the directors.

Details of the nature and amount of each element of the emoluments of each director and the executive officer of the consolidated entity are as follows:

**Emoluments of directors and executive officer**

	Annual emoluments			Long-term emoluments		Total
	<i>Office</i>	<i>Base Fee</i>	<i>Other</i>	<i>Super-annuation</i>	<i>Options</i>	
	\$	\$	\$	\$	\$	\$
LH Chapman *	-	137,000	-	12,330	-	149,330
WG Martinick	-	-	-	-	86,800	-
NT O'Loughlin	-	-	-	-	74,400	-
MD Cardaci	13,500	-	-	-	-	13,500
GR O'Dea	6,113	-	-	-	74,400	6,113
PJ Whyte	9,550	-	-	-	-	9,550

LH Chapman is the only executive officer of the consolidated entity during the year. The options granted have been valued using the Black-Scholes option pricing model. See note 13 for additional information.

**TAX CONSOLIDATION**

As at the date of this report, the consolidated entity has not formed a tax consolidated group.

**CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the company support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the additional Australian Stock Exchange information section of this annual report.

Signed in accordance with a resolution of the directors

(Original signed by W G Martinick )  
W G Martinick - Chairman  
Perth, 13 October 2003

## **Independent audit report to members of Ezenet Limited**

### **Scope**

#### *The financial report and directors' responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Ezenet Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

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

#### *Audit approach*

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

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

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

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

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

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

### **Independence**

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

### **Audit opinion**

In our opinion, the financial report of Ezenet Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of Ezenet Limited and the consolidated entity 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 financial reporting requirements in Australia.

Ernst & Young

J P Dowling  
Partner  
Perth

Date: 30 September 2003

**EZENET LIMITED**  
**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Ezenet Limited, I state that:

- 1) In the opinion of the directors:
  - (a) the financial statements and notes of the company and consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) subject to the matters referred to in note 1 to the financial statements "Going Concern Basis" there are reasonable grounds to believe that the company and consolidated entity will be able to pay their debts as and when they become due and payable.

On behalf of the Board

(Original signed by W G Martinick )  
W G Martinick  
Chairman  
Perth, 30 September 2003

**EZENET LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR YEAR ENDED 30 JUNE 2003**

	Notes	CONSOLIDATED		EZENET LIMITED	
		2003	2002	2003	2002
		\$	\$	\$	\$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>					
Revenue from sales of goods	2	22,105	172,833	19,974	172,833
Cost of sales		-	(144,229)	-	(144,229)
Gross profit		22,105	28,604	19,974	28,604
<b>Other revenue</b>	2	478,012	153,952	414,632	153,952
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>					
Marketing expenses		(272,145)	(165,914)	(247,685)	(165,914)
Occupancy expenses		(62,380)	(34,912)	(52,630)	(34,912)
Administrative expenses		(195,719)	(349,333)	(190,482)	(349,333)
Operating expenses	3	(674,319)	(464,912)	(601,303)	(464,912)
Borrowing expenses		(2,326)	-	(2,326)	-
<b>LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		(706,772)	(832,515)	(659,820)	(832,515)
<b>INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES</b>	4	-	-	-	-
<b>NET LOSS ATTRIBUTABLE TO MEMBERS OF EZENET LIMITED</b>	15	(706,772)	(832,515)	(659,820)	(832,515)
Basic and diluted loss per share (cents)	20	(1.8)	(2.8)	(1.8)	(2.8)

The statement of financial performance should be read in conjunction with the accompanying notes.

**EZENET LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2003**

	Notes	CONSOLIDATED		EZENET LIMITED	
		2003	2002	2003	2002
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash assets		319,008	678,817	318,808	678,817
Receivables	5	102,516	54,162	-	54,162
Other	6	50,856	23,619	37,021	23,619
<b>TOTAL CURRENT ASSETS</b>		<b>472,380</b>	<b>756,598</b>	<b>355,829</b>	<b>756,598</b>
<b>NON-CURRENT ASSETS</b>					
Plant and equipment	7	610,246	349,071	-	349,071
Interest in subsidiary	8	-	-	603,506	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>610,246</b>	<b>349,071</b>	<b>603,506</b>	<b>349,071</b>
<b>TOTAL ASSETS</b>		<b>1,082,626</b>	<b>1,105,669</b>	<b>959,335</b>	<b>1,105,669</b>
<b>CURRENT LIABILITIES</b>					
Payables	9	420,063	135,461	263,681	135,461
Provisions	10	13,861	11,137	-	11,137
Interest-bearing liabilities	11	113,888	-	113,888	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>547,812</b>	<b>146,598</b>	<b>377,569</b>	<b>146,598</b>
<b>NON CURRENT LIABILITIES</b>					
Interest-bearing liabilities	12	20,757	-	20,757	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>20,757</b>	<b>-</b>	<b>20,757</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>568,569</b>	<b>146,598</b>	<b>398,326</b>	<b>146,598</b>
<b>NET ASSETS</b>		<b>514,057</b>	<b>959,071</b>	<b>561,009</b>	<b>959,071</b>
<b>SHAREHOLDERS' EQUITY</b>					
Contributed equity	13	4,614,715	4,352,957	4,614,715	4,352,957
Reserves	14	29,000	29,000	29,000	29,000
Accumulated losses	14	(4,129,658)	(3,422,886)	(4,082,706)	(3,422,886)
<b>TOTAL EQUITY</b>		<b>514,057</b>	<b>959,071</b>	<b>561,009</b>	<b>959,071</b>

The statement of financial position should be read in conjunction with the accompanying notes.

**EZENET LIMITED  
STATEMENT OF CASH FLOWS  
FOR YEAR ENDED 30 JUNE 2003**

	Notes	CONSOLIDATED		EZENET LIMITED	
		2003 \$	2002 \$	2003 \$	2002 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		410,66	222,163	337,677	222,16
Payments to suppliers and employees		(971,19)	(842,691)	(926,513)	(842,69)
Interest received		10,29	26,004	10,297	26,00
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	14	<u>(550,22)</u>	<u>(594,524)</u>	<u>(578,539)</u>	<u>(594,52)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Payment for purchases of plant and equipment		<u>(412,98)</u>	<u>(193,557)</u>	<u>(384,874)</u>	<u>(193,55)</u>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<u>(412,98)</u>	<u>(193,557)</u>	<u>(384,874)</u>	<u>(193,55)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares & options		261,75	724,000	261,758	724,00
Proceeds from share applications received in advance		207,00	-	207,000	-
Cost of raising share capital		-	(9,410)	-	(9,41)
Proceeds from borrowings		164,21	-	164,214	-
Repayment of borrowings		<u>(29,56)</u>	<u>-</u>	<u>(29,568)</u>	<u>-</u>
<b>NET CASH FLOWS FROM USED IN FINANCING ACTIVITIES</b>		<u>603,40</u>	<u>714,590</u>	<u>603,404</u>	<u>714,59</u>
<b>NET DECREASE IN CASH HELD</b>		<u>(359,80)</u>	<u>(73,491)</u>	<u>(360,009)</u>	<u>(73,49)</u>
Opening cash brought forward		<u>678,81</u>	<u>752,308</u>	<u>678,817</u>	<u>752,30</u>
<b>CLOSING CASH CARRIED FORWARD</b>		<u>319,00</u>	<u>678,817</u>	<u>318,808</u>	<u>678,81</u>

The statement of cash flows should be read in conjunction with the accompanying notes.

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**30 JUNE 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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 and does not take into account changing money values or, except where stated, current valuations of non current assets.

**Going concern basis**

The financial report has been prepared on the going concern basis. The ability of the company and the consolidated entity to pay their debts as and when they fall due is dependent on the continued successful development of the business model, which may require the securing of additional funds either by equity or borrowings. The directors are currently evaluating various options and sources of funding and on this basis believe the adoption of the going concern basis is justified. However, should sources of additional funding not become available the company may not be able to pay its debts as and when they fall due and may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

**Changes in accounting policies**

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

The company has adopted the revised Accounting Standard AASB 1028 "Employee Benefits" resulting in a change in the accounting policy for the measurement of current employee benefit liabilities. Previously the provision for annual leave entitlements was based on remuneration rates at the reporting date. Annual leave provisions are now measured based on the remuneration rates expected to be paid when the liability is settled. This revised policy has had no effect on this financial report.

**Principles of consolidation**

The consolidated financial statements are those of the consolidated entity comprising Ezenet Limited and Ezetel Pty Ltd. Acquisitions are accounted for using the purchase method of accounting.

The financial statements of both companies are prepared using consistent accounting policies.

All intercompany balances and transactions have been eliminated.

**Interest-bearing liabilities**

Loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**30 JUNE 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Cash and cash equivalents**

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, net of any outstanding bank overdrafts.

**Inventories**

Inventories of set top boxes have been written off in previous financial years and no carrying value is included in these financial statements.

**Plant and equipment**

*Cost and valuation*

Items of plant and equipment are brought to account at cost less any accumulated depreciation.

*Depreciation*

Depreciation is provided on a prime cost or reducing balance method on all plant and equipment from the time it is first used in the operations of the consolidated entity.

Major depreciation periods are:	<b>2003</b>	<b>2002</b>
- Office equipment and fittings	2.5 to 5.0 years	2.5 to 5.0 years
- Equipment installed in hotels	4.0 years	4.0 years
- Digital film library	4.0 years	4.0 years

**Trade and other receivables**

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

**Trade and other payables**

Liabilities for trade creditors and other amounts are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

**Share capital**

Ordinary share capital is recognised at the fair value of the consideration received by the company.

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

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**30 JUNE 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company 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 goods has passed to the buyer.

*Rendering of services*

The control of a right to be compensated for services has been attained.

*Interest*

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

**Income tax**

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 as its realisation cannot be regarded as virtually certain.

The income tax benefit relating to tax losses is calculated using the 30% corporate tax rate.

*Goods and Services Tax (GST)*

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

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

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

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

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

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**30 JUNE 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Earnings per share**

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

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

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**Recoverable amount**

Non-current assets are not carried at an amount above their recoverable amount and where carrying values exceed the recoverable amount assets are written down. In determining the recoverable amount, the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

**Leases**

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

*Operating leases*

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

*Finance leases*

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group 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 recognised directly in net profit.

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)**

**Foreign currencies**

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

Balances denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year. All resulting exchange differences are brought to account in determining the net profit and loss for the financial year.

**Employee benefits**

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

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

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

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

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

**Comparatives**

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

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**30 JUNE 2003**

	<b>CONSOLIDATED</b>		<b>EZENET LIMITED</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>				
<b>(a) Revenue from sales</b>				
Revenue from sale of goods	22,1	172,83	19,97	172,83
Total revenue from sales	<u>22,1</u>	<u>172,83</u>	<u>19,97</u>	<u>172,83</u>
<b>(b) Other revenue from ordinary activities</b>				
Revenue from sale of services	465,9	129,70	402,58	129,70
Interest received	12,0	24,59	12,04	24,59
Net foreign currency loss		(35)		(35)
Total other revenue from ordinary activities	<u>500,1</u>	<u>326,78</u>	<u>434,60</u>	<u>326,78</u>
<b>3. EXPENSES AND LOSSES</b>				
<b>Operating Expenses</b>				
Provision for write down of inventories		186,17		186,17
Depreciation on equipment and fittings	120,6	63,17	106,62	63,17
Amortisation of film library	31,1	12,93	28,07	12,93
Provision for employee entitlements	2,1	3,09	2,03	3,09
Provision for doubtful debts		16,00		16,00
Operating lease rentals	47,2	19,19	39,62	19,19
Other expenses	<u>472,2</u>	<u>164,34</u>	<u>424,93</u>	<u>164,34</u>
	<u>674,2</u>	<u>464,91</u>	<u>601,30</u>	<u>464,91</u>

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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	CONSOLIDATED		EZENET LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>4. INCOME TAX</b>				
The prima facie tax on the loss from ordinary activities is reconciled to the income tax provided in the accounts as follows:				
Prima facie tax benefit on loss from ordinary activities:	(212,03	(249,75	(197,92	(249,75
Tax effect of permanent differences:				
Trademark expenses	30		30	
Non allowable capital expenses		10,65		10,65
Entertainment	1,39	1,96	1,39	1,96
Income tax attributable to operating loss	(210,33	(237,14	(196,22	(237,14
Future income tax benefit not bought to account	210,33	237,14	196,22	237,14
Income tax expense attributable to ordinary activities				

**Income tax losses**

Future income tax benefit arising from tax losses at 30%, not bought to account at balance date as realisation of the benefit is not regarded as virtually certain	919,89	710,37	906,61	710,37
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This future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility of prior year losses imposed by tax legislation can be complied with;
- no changes in tax legislation adversely affect the company in realising the benefit.

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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	<b>CONSOLIDATED</b>		<b>EZENET LIMITED</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>5. RECEIVABLES (Current)</b>				
Trade debtors	102,516	82,6€	-	82,6€
Less: Provision for doubtful debts	-	(28,5€)	-	(28,5€)
	<u>102,516</u>	<u>54,1€</u>	<u>-</u>	<u>54,1€</u>
<b>6. OTHER (Current)</b>				
Other debtors	24,167	1,0€	24,167	1,0€
Prepayments	11,020	4,4€	-	4,4€
GST receivable	15,669	18,0€	12,854	18,0€
	<u>50,856</u>	<u>23,61</u>	<u>37,021</u>	<u>23,61</u>
<b>7. PLANT AND EQUIPMENT</b>				
Office equipment and fittings at cost	125,119	104,5€	-	104,5€
Less : Provision for depreciation	(69,064)	(45,4€)	-	(45,4€)
	<u>56,055</u>	<u>59,1€</u>	<u>-</u>	<u>59,1€</u>
Plant and equipment at cost	589,827	249,87	-	249,87
Less : Provision for depreciation	(139,425)	(42,4€)	-	(42,4€)
	<u>450,402</u>	<u>207,4€</u>	<u>-</u>	<u>207,4€</u>
Digital film library at cost	147,901	95,4€	-	95,4€
Less : Provision for amortisation	(44,112)	(12,9€)	-	(12,9€)
	<u>103,789</u>	<u>82,5€</u>	<u>-</u>	<u>82,5€</u>
Total plant and equipment	<u>610,246</u>	<u>349,07</u>	<u>-</u>	<u>349,07</u>
Carrying amount at beginning of year	349,071	231,6€	349,071	231,6€
Additions	412,984	193,5€	384,874	193,5€
Transferred to the subsidiary	-	-	(599,242)	-
Depreciation and amortisation expense	(151,809)	(76,11)	(134,703)	(76,11)
	<u>610,246</u>	<u>349,07</u>	<u>-</u>	<u>349,07</u>

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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	<b>CONSOLIDATED</b>		<b>EZENET LIMITED</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>8. INTEREST IN SUBSIDIARY</b>				
<b>(Non-current)</b>				
	<b>Country of</b>	<b>% equity held</b>	<b>Investment</b>	
	<b>incorporation</b>	<b>by consolidated</b>	<b>\$</b>	
		<b>entity</b>		
Ezetel Pty Ltd (registered 12 May 2003)	Australia	100		
Share Capital				573,199
Loan				30,306
The loan is unsecured, interest free with no fixed terms of repayment.				<u>603,505</u>

	<b>CONSOLIDATED</b>		<b>EZENET LIMITED</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>9. PAYABLES (Current)</b>				
Trade creditors and accruals	213,063	133,710	56,681	133,710
Other creditors	207,000	1,751	207,000	1,751
	<u>420,063</u>	<u>135,461</u>	<u>263,681</u>	<u>135,461</u>

<b>10. PROVISIONS (Current)</b>				
Employee benefits	<u>13,861</u>	<u>11,137</u>	-	<u>11,137</u>

<b>11. INTEREST-BEARING LIABILITIES (Current)</b>				
Unsecured loans (Note 24c)	102,493	-	102,493	-
Hire purchase loan	11,395	-	11,395	-
	<u>113,888</u>	<u>-</u>	<u>113,888</u>	<u>-</u>

**Terms and Conditions**

(i) The hire purchase loan has a term of 3 years at an interest rate of 9.6%.  
The liability is secured by a charge over the acquired assets.

<b>12. INTEREST-BEARING LIABILITIES (Non-current)</b>				
Hire purchase loan	<u>20,757</u>	<u>-</u>	<u>20,757</u>	<u>-</u>

Refer Terms and Conditions in Note 11.

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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	<b>CONSOLIDATED</b>		<b>EZENET LIMITED</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>13. CONTRIBUTED EQUITY</b>				
<b>(a) Issued and paid up capital</b>				
40,135,000 ordinary shares fully paid (2002: 34,900,000)	5,018,953	4,757,195	5,018,953	4,757,195
Less: capital raising costs	(404,238)	(404,238)	(404,238)	(404,238)
	<u>4,614,715</u>	<u>4,352,957</u>	<u>4,614,715</u>	<u>4,352,957</u>

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

	<b>2003</b>		<b>2002</b>	
	<b>Number of shares</b>	<b>\$</b>	<b>Number of shares</b>	<b>\$</b>
Beginning of the financial year	34,900,000	4,352,957	26,000,000	3,667,367
Issued during the year				
- public equity raisings	5,235,000	261,758	8,900,000	695,000
- less transaction costs		-		(9,410)
End of the financial year	<u>40,135,000</u>	<u>4,614,715</u>	<u>34,900,000</u>	<u>4,352,957</u>

**(c) Share Options**

In the prior year 29,000,000 options were issued, at 0.1 cents per option, exercisable at 10 cents per option on or before 31 July 2003. These options were forfeited subsequent to year end.

On 30 June 2003 17,735,000 options exercisable at 15 cents on or before 30 June 2007 were issued as follows; 5,235,000 to the subscribers of the additional share capital, 9,500,000 to the directors and 3,000,000 to various advisers.

Since the end of the financial year 18,813,588 options were issued over ordinary shares exercisable at 15 cents per option on or before 30 June 2007.

At the end of the financial year there were 29,000,000 (2002: 29,000,000) unissued ordinary shares in respect of which options were outstanding.

<b>Movement in Options</b>	<b>2003</b>	<b>2002</b>
Beginning of the year	29,000,000	-
Issued	17,735,000	29,000,000
End of the year	<u>46,785,000</u>	<u>29,000,000</u>

**(d) Terms and conditions of contributed equity**

*Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. The ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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	<b>CONSOLIDATED</b>		<b>EZENET LIMITED</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>14. ACCUMULATED LOSSES AND RESERVES</b>				
<b>Accumulated Losses</b>				
Balance at beginning of year	(3,422,886)	(2,590,371)	(3,422,886)	(2,590,371)
Loss for the year	(706,772)	(832,515)	(659,820)	(832,515)
Balance at end of year	(4,129,658)	(3,422,886)	(4,082,706)	(3,422,886)
<b>Option Reserve</b>				
Balance at beginning of year	29,000	-	29,000	-
Premium on options issued during the year	-	29,000	-	29,000
Balance at end of year	29,000	29,000	29,000	29,000

The amount credited to the Option Reserve relates to the premium paid for options.

	<b>CONSOLIDATED</b>		<b>EZENET LIMITED</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>15. STATEMENT OF CASH FLOWS</b>				
Reconciliation of the net loss to the net cash flows from operations				
Net loss	(706,772)	(832,515)	(659,820)	(832,515)
- Depreciation of plant and equipment	120,636	63,177	106,625	63,177
- Amortisation of film library	31,173	12,939	28,078	12,939
- Provision for diminution in value of inventories	-	186,171	-	186,171
- Provision for doubtful debts	-	16,000	-	16,000
Changes in assets and liabilities				
- Trade receivables	(48,354)	(65,494)	54,162	(65,494)
- Other receivables	(20,680)	4,560	(17,865)	4,560
- Prepayments	(6,557)	8,066	4,463	8,066
- Trade and other creditors	77,602	9,479	(78,780)	9,479
- Employee entitlements	2,724	3,093	(11,137)	3,093
- Due to transfer to controlled entities	-	-	(4,265)	-
Net cash flows used in operating activities	(550,228)	(594,524)	(578,539)	(594,524)

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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	<b>CONSOLIDATED</b>		<b>EZENET LIMITED</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>16. EXPENDITURE COMMITMENTS</b>				
<i>Operating lease (non-cancellable)</i>				
- not later than one year	15,731	38,244	15,731	38,244
- later than one year and not later than five years	-	11,155	-	11,155
Aggregate lease expenditure contracted for at balance date	<u>15,731</u>	<u>49,399</u>	<u>15,731</u>	<u>49,399</u>

These commitments reflect the cost to the company for entering into a non-cancellable operating lease for premises to be occupied by the company until 14 October 2003.

*Other commitments*

Since the end of the financial year the consolidated entity has entered into a distribution agreement which provides for purchases of equipment for at least US\$120,000 in the first year commencing 18 August 2003.

**17. SEGMENT INFORMATION**

Revenue is derived by the consolidated entity from the information technology sector. The consolidated entity operates predominantly within the one sector in Australia.

**18. SUBSEQUENT EVENTS**

In August 2003 the company signed an Australian and New Zealand Distribution Agreement with Airwave Europe Limited for the distribution rights to a new hotel pay system and has commenced marketing initiatives for the product in Australia.

On 18 August 2003 the company signed a Memorandum of Understanding with a large gold mining resource company in China to establish a strategic alliance to develop opportunities of mutual interest in China.

The company has completed placements of shares to raise a total of \$1,184,155.

Since the end of the financial year the company has borrowed \$200,000 by way of a commercial business loan secured by a charge over certain items of equipment. Interest is calculated at 19.87% effective fixed for the term of the loan of two years. Principal and interest are repayable by equal monthly instalments of \$10,166.

**19. ECONOMIC DEPENDENCY**

The consolidated does not have any economic dependency with any one client or group of clients.

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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<b>20. EARNINGS PER SECURITY</b>	<b>2003</b>	<b>2002</b>
(a) Basic and diluted loss per share (cents)	(1.8)	(2.8)

The following reflects the income (loss) and share data used in the calculations of basic and diluted earnings per share:

Net loss	(706,772)	(832,515)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	37,352,562	29,911,233

Details of conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report are included in note 13.

<b>21. REMUNERATION OF DIRECTORS</b>	<b>CONSOLIDATED</b>		<b>EZENET LIMITED</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Ezenet Limited, directly or indirectly, from the company or any related party.	166,163	180,164	166,163	180,164

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	<b>2003</b>	<b>2002</b>
The number of directors whose remuneration (including superannuation contributions) falls within the following bands:		
\$0 - \$9,999	4	4
\$10,000 - \$19,999	1	1
\$140,000 - \$149,999	1	1

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

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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	CONSOLIDATED		EZENET LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>22. REMUNERATION OF EXECUTIVES</b>				
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 related party, whether as an executive officer or otherwise.	149,330	147,000	149,330	147,000

The company has one executive whose whose remuneration falls within the following bands:

\$140,000 - \$149,999	1	1
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In the opinion of the directors remuneration paid to the executive officer is considered reasonable.

	CONSOLIDATED		EZENET LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>23. AUDITOR'S REMUNERATION</b>				
Amounts received or due and receivable By the auditors of Ezenet Limited for:				
- an audit or review of the financial report	38,000	23,000	38,000	23,000
- other services	-	6,500	-	6,500
	<u>38,000</u>	<u>29,500</u>	<u>38,000</u>	<u>29,500</u>

**24. RELATED PARTY TRANSACTIONS**

(a) The directors of Ezenet Limited and their interests in securities at balance date were:

	ORDINARY SHARES FULLY PAID		OPTIONS OVER ORDINARY SHARES	
	2003	2002	2003	2002
	Number	Number	Number	Number
WG Martinick	7,019,200	-	7,575,912	-
L H Chapman	2,077,419	5,677,419	-	-
GR O'Dea	66,000	66,000	3,000,000	-
NT O'Loughlin	1,981,168	-	4,159,088	-
MD Cardaci (resigned 13/1/03)	-	-	-	-
PJ Whyte (resigned 16/10/02)	774,194	774,194	-	-
	<u>11,917,981</u>	<u>6,517,613</u>	<u>14,735,000</u>	<u>-</u>

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**24. RELATED PARTY TRANSACTIONS (Cont'd)**

(b) Movements in directors' shareholdings.

During the year W G Martinick acquired the following shares and options:

- 2,802,920 in an off market transaction from a related entity of L H Chapman at \$0.07 per share.
- 4,075,912 shares in a placement at \$0.05 per share, plus free option exercisable at 15 cents on or before 30 June 2007.
- 140,368 shares in ASX on market transactions.
- 3,500,000 option exercisable at 15 cents on or before 30 June 2007.

During the year N T O'Loughlin acquired the following shares and options:

- 797,080 shares in an off market transaction from a related entity of L H Chapman at \$0.07 per share.
- 1,159,088 in a placement at \$0.05 per share, plus free option exercisable at 15 cents on or before 30 June 2007.
- 25,000 shares in ASX on market transactions.
- 3,000,000 option exercisable at 15 cents on or before 30 June 2007.

During the year LH Chapman disposed of the following shares:

- 3,600,000 shares in an off market transaction by a related entity at \$0.07 per share.

During the year G R O'Dea acquired the following options:

- 3,000,000 option exercisable at 15 cents on or before 30 June 2007.

(c) Director-related entity transactions

On 30 May 2003 the company borrowed \$100,000 from N O'Loughlin. Interest is payable at the rate of 10% per annum and the principle repayable no later than twelve months from the date of advance.

Bookkeeping services of \$1,447 were provided by MBS Environmental Pty Ltd, a company associated with WG Martinick on normal commercial terms and conditions.

Legal fees of \$6,201 were provided by Blakiston & Crabb, a law firm of which MD Cardaci is a partner on normal commercial terms and conditions.

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**25. FINANCIAL INSTRUMENTS**

*(a) Terms, conditions and accounting policies*

The consolidated entity'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:

<b>FINANCIAL INSTRUMENTS</b>	<b>NOTES</b>	<b>ACCOUNTING POLICIES</b>	<b>TERMS AND CONDITIONS</b>
<b>(i) FINANCIAL ASSETS</b>			
Cash at bank		Cash on hand and cash in bank are stated at the nominal value.	Short term deposits are held in a call deposit account with an effective interest rate of 4.40%.
Trade debtors	5	Trade debtors are recognised and carried at original invoice amount less provision for any uncollectible debts. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off as incurred.	Credit sales are normally on 30 to 60 day terms.
Other debtors	6	Other debtors are recognised and carried at the amount receivable.	Other debtors are non-interest bearing and are normally received between 30 and 90 days.
<b>(ii) FINANCIAL LIABILITIES</b>			
Trade creditors, accruals and other creditors	9	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.	Trade liabilities are normally settled on 30 to 60 day terms.
<b>(iii) EQUITY</b>			
Ordinary shares	13	Ordinary share capital is recognised at the fair value of consideration received by the company.	Details of shares issued during the year and shares outstanding at balance date are set out in note 12.

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
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**25. FINANCIAL INSTRUMENTS (Cont'd)**

*(b) Interest rate risk exposure*

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

Fixed interest rate maturing in:

FINANCIAL INSTRUMENT	FLOATING INTEREST RATE		1 YEAR OR LESS		OVER 1 TO 5 YEARS		MORE THAN 5 YEARS		NON-INTEREST BEARING		TOTAL		INTEREST RATE	
	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$	2003 %	2002 %
<b>(i) FINANCIAL ASSETS</b>														
Cash	318,808	253,617	-	425,000	-	-	-	-	200	200	319,008	678,817	4.40	4.62
Receivables – trade	-	-	-	-	-	-	-	-	102,516	54,162	102,516	54,162	-	-
Other debtors	-	-	-	-	-	-	-	-	50,856	23,619	50,856	23,619	-	-
Total Financial Assets	318,808	253,617	-	-	-	-	-	-	153,572	77,981	472,380	756,598		
<b>(ii) FINANCIAL LIABILITIES</b>														
Trade creditors, accruals and other creditors	-	-	-	-	-	-	-	-	420,063	135,461	420,063	135,461	-	-
Loans – hire purchase	-	-	-	-	34,645	-	-	-	-	-	34,645	-	9.60	-
Loans - other	-	-	100,000	-	-	-	-	-	-	-	100,000	-	10.0	-
Total Financial Liabilities	-	-	100,000	-	34,645	-	-	-	420,063	135,461	554,708	135,461		

**EZENET LIMITED**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**30 JUNE 2003**

**25. FINANCIAL INSTRUMENTS (Cont'd)**

*(c) Net fair values of financial assets and liabilities*

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date, are as follows:

	CARRYING AMOUNT		AGGREGATE NET FAIR VALUE	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>FINANCIAL ASSET</b>				
Cash	319,008	678,817	319,008	678,817
Debtors	102,516	54,162	102,516	54,162
Other debtors	50,856	23,619	50,856	1,094
<b>Total financial assets</b>	<b>472,380</b>	<b>756,598</b>	<b>472,380</b>	<b>734,073</b>
<b>FINANCIAL LIABILITIES</b>				
Trade creditors and accruals and other creditors	420,063	135,461	420,063	135,461
Loans – hire purchase	34,645	-	34,645	-
Loans - other	100,000	-	100,000	-
<b>Total financial liabilities</b>	<b>554,708</b>	<b>135,461</b>	<b>554,708</b>	<b>135,461</b>

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

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

Receivables and payables: The carrying amount approximates fair value.

*(d) Credit Risk Exposures*

The consolidated entity's maximum exposure to credit risk at balance 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.

**EZENET LIMITED  
CORPORATE GOVERNANCE STATEMENT  
30 JUNE 2003**

The board of directors of Ezenet Limited is responsible for the corporate governance of the consolidated entity. Its purpose is to guide and monitor the business and affairs of Ezenet Limited on behalf of the shareholders by whom the board was elected and to whom it is accountable.

To ensure the board can discharge its responsibilities it has adopted the following guidelines for the nomination and selection of directors and for the operation of the board.

**Composition of the Board**

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

- The board should comprise of at least three directors and should maintain a majority of non-executive directors;
- The chairperson should be a non-executive director;
- The board should comprise directors with an appropriate range of qualifications and expertise; and
- The board shall meet as and when required but at least six times per year and follow usual meeting procedures and guidelines to ensure directors are made aware of and have necessary information to participate in informed discussions of agenda items.

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

W G Martinick	Chairman, Non-Executive Director
L H Chapman	Executive Director
G R O'Dea	Non-Executive Director
N T O'Loughlin	Non-Executive Director

**Remuneration Committee**

The board has not established a remuneration committee in view of the size of the company and all executives have service agreements, which prescribe remuneration reviews by the board.

**Audit Committee**

Given the size of the company's operations, no formal audit committee is warranted. However, formal meetings are held between all the directors and the external auditor to discuss the findings of the half-year review and the year-end audit.

**Internal Control**

The company's financial management procedures provide for the separation of functional responsibilities for purchasing, invoicing and payment processes.

**Board Responsibilities**

As the board acts on behalf of and is accountable to shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to manage those risks.

The responsibility for the operation and administration of the company is delegated by the board to appropriate company staff and consultants.

**EZENET LIMITED  
CORPORATE GOVERNANCE STATEMENT (Cont'd)  
30 JUNE 2003**

The board is responsible for ensuring that management objectives and activities are in accordance with the policies and expectations set by them. The board has a number of mechanisms in place to ensure this is achieved including:

- board approval of the strategic business plan;
- board monitoring of performance indicators; and
- procedures to allow directors, in the performance of their duties, to seek independent professional advice at the company's expense.

**Monitoring of the Board's Performance and Communication to Shareholders**

The board of directors aims to ensure that shareholders are informed of all information necessary to assess the performance of the directors. Information is communicated to shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report circulated to the Australian Stock Exchange Limited and the Australian Securities and Investments Commission;
- periodical announcements to the Australian Stock Exchange Limited; and
- the annual general meeting and other meetings called to obtain approval of board action as appropriate.

**EZENET LIMITED**  
**ASX ADDITIONAL INFORMATION**  
**30 JUNE 2003**

Additional information required by the Australian Stock Exchange Ltd and not disclosed elsewhere in this report is as follows. The information is current as at 18 September 2003.

**(a) Statement of shareholdings**

Range	Names of 20 largest shareholders	Ordinary Shares			
		Fully paid			
		No of holders	No. of shares held	% held	No. of shares in escrow
100,001 or more	Blackwood Business Services Pty Ltd	1	4,675,059	9.18	
	W G Martinick	1	4,326,873	8.49	
	Martinick McNulty Pty Ltd	1	2,802,920	5.50	
	Greywood Holdings Pty Ltd	1	2,304,645	4.52	
	Marketlane Pty Ltd	1	2,077,419	4.08	
	Wakeford Holdings Pty Ltd	1	2,020,000	3.96	
	N T O'Loughlin	1	1,956,168	3.84	
	G Hackshaw	1	1,190,000	2.34	
	Tovela Pty Ltd	1	1,068,659	2.10	
	Kings Park Nominees Pty Ltd	1	908,235	1.78	
	G Ngadino	1	859,718	1.69	
	Baybeck Pty Ltd	1	820,000	1.61	
	Solomon Fiduciary Nominees Pty Ltd	1	650,000	1.28	
	Inkjar Pty Ltd	1	532,442	1.05	
	Nicholls Nominees Pty Ltd	1	450,000	0.88	
	H M Hess	1	400,000	0.79	
	Skink Resources Pty Ltd	1	400,000	0.79	
	Walsec Pty Ltd	1	400,000	0.79	
	Pentode Pty Ltd	1	390,000	0.77	
	The Old Swan Brewery Company Pty Ltd	1	356,452	0.70	
		20	28,588,590	56.14	
	Various	44	8,168,154	16.00	
		64	36,756,744	72.14	Nil
10,000 - 100,000	Various	299	11,388,278	22.36	
5,001 - 10,000	Various	174	1,522,516	2.99	Nil
1,001 - 5000	Various	383	1,176,642	2.31	Nil
1 - 1,000	Various	136	104,408	0.20	Nil
Total		1,056	50,948,588	100.00	Nil

**EZENET LIMITED  
ASX ADDITIONAL INFORMATION  
30 JUNE 2003**

**(b) Statement of option holders**

Names	No of holders	No of options held	% held
W G Martinick	1	7,575,912	20.72
Various		28,982,676	79.28
Total		36,558,588	100.00

The terms of the issued options are

**(c) Voting Rights**

All ordinary shares carry one vote per share without restriction.

**(d) Market buy-back**

There is no current on-market buy-back of shares.

**(e) Marketable Parcels**

Number of holders of less than a marketable parcel 308 (2002: 843).

**Substantial Shareholders** who have notified the company in accordance with section 671B of the Corporations Act 2001

<b>Beneficial Owner</b>	<b>No of Shares</b>
WG Martinick and Martinick McNulty Pty Ltd	7,477,979
Blackwood Business Services Pty Ltd	4,675,059