Cosmos

ASX Announcement, 12 September 2003

Media Information *12 September 2003*

Chairman`s Comments to Preliminary Final Report

Cosmos Limited, the electronic commerce Company, lodged its 4E with the ASX today. The Group continues to be a leading provider of transaction processing and point of sale solutions in challenging trading conditions. The acquisition of the Amfac business in January 2003, though fitting in with the long term strategic plan of the Company, has placed some significant strains on the Company which have resulted in the expected synergies from integration of this business with Pharmasol, not being realised in this financial year.

The Company continues to pursue opportunities in each business vertically and some of these are starting to reach economic levels producing ongoing increasing revenue streams.

However, during the past year the problems of a somewhat turbulent and acquisitive history have continued to plague the Company, but with the recent re-financing of the Company, and Agreements struck with the ATO, we should see a significant change in the fortunes of the Company over this next 12-moth period.

Against this background, revenues were $21.0m, a 42.0% improvement over the prior year, while the loss of $8.2m compares with the prior year loss of $17.6m. Much of this revenue increase reflects the first half year's results of Amfac acquisition and the maturing Cosmos E-C Commerce payments business, especially the Real Estate and Deft and Cardpay channels. Further EBIT improvements will come as these businesses continue to develop.

The Board of Directors continues to focus the ongoing transformation of the Group into an electronic trading commerce business. This restructuring will continue until a consistently profitable business emerges. The first half of the year proved to be an exceptionally good half when compared to the previous period but the second half has been particularly challenging, as the Company has embarked upon a strategy of paying out considerable past liabilities. It has during this difficult time continued to receive unwavering support from its major shareholders.

The performance for the full year shows an operating loss of similar size to the previous period, with the poor second half performance principally due to delays experienced in integrating the Amfac acquisition. This has been rectified by the Company's recent and successful capital raising. The Company will now be able to achieve the benefits brought about by the amalgamation of the two businesses. The Company is now addressing the first stage of the integration which is now nearing completion adding an expected $2 million to the EBIT in this coming financial year. Further and subsequent stages of internal re-structuring will provide cost-savings of up to $1 million in this financial year.

It is important to note that sales for the full year were 42% higher than for the previous year, mainly due to increased revenues from the pharmacy income streams and the continuing expansion of E-Commerce business where revenues have increased almost four-fold.

During the year Cosmos announced it had signed Term Sheets with Jeddah International Computer Centre to roll – out its bill procurement and payments in the Middle East and North Africa. This contract is in the process of being finalised. This is the first stage of progressive internationalisation of this technology with further interested parties in the United Kingdom and South Africa.

After reviewing operating results for the year, the Directors, following discussions with auditors, re-appraised the carrying values of intangibles, goodwill and intellectual property. Adequate support could not be found for these values and Directors concluded that it would be prudent to write them down to better reflect the future economic benefits arising from existing customer relationships. Accordingly, $1.6m was charged to the profit and loss account for the year to give a loss from ordinary activities of $8.2m a decrease of 53.0% over the preceding year. Such a step has no impact on the Group's cash flow.

With a sound pipeline of new business prospects, embedded revenues of $14m in hand, further investment to fund the now commenced re-structure of the Company, and its payment arrangement entered into with the ATO finalised, Directors are hopeful that these factors will lead to a stronger performance of the Company and its businesses in this new financial year.

For further information please contact Bob Tynan, Managing Director on (02) 92995561.