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Company Announcement
13 September 2005

ANNUAL RESULTS AND CAPITAL RAISING

Annual Results

Cosmos Limited ("the Company") today released its results for the year to 30 June 2005. Revenues for the year were 13% down at $15.6 million (2004 $17.9 million) but the net loss was reduced from $8.5 million to $5.3 million.

In March 2005, new directors were appointed who have since implemented rigorous business reviews and cost cutting measures. As previously reported, loss making and uncommercial joint ventures have been terminated. The Company has also been involved in litigation as the result of unauthorised actions by former senior executives.

The Company has two sound core businesses in transaction processing and the provision of software to the pharmacy industry. However, in prior periods the Company has failed to maintain adequate levels of product development and customer care which has contributed to the fall in revenues. The directors are currently addressing these key issues.

Capital Raising

The Company does not presently have sufficient funds to meet all its ongoing commitments which include substantial amounts owing to the Australian Taxation Office in respect of prior years.

To resolve this issue, the Company has entered into conditional agreements with companies associated with Mr Mark Winnett, a director, for the provision of $6.5 million in cash by way of subscription for unsecured redeemable convertible notes.

In order to comply with a number of regulatory requirements, the proposed issue of convertible notes is to be submitted to shareholders for approval at an extraordinary general meeting which will be held on 28 October 2005.

The convertible notes will have a three year term, bear interest at 10 per cent and have a conversion price of 1 cent per share. Full details of the terms and conditions of the issue of convertible notes will be included in the Notice of Meeting and Explanatory Memorandum which will be despatched to shareholders shortly.

For further information please contact: Mr Julian Walter
Company Secretary
Cosmos Limited
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Amfac

PharmaSol

APPENDIX 4E
Preliminary final report

Name of Entity	**Cosmos Limited**
ABN Number	**25 000 091 305**
Financial year ended ("current period")	**30 June 2005**

Results for announcement to the market

		$
Revenues from ordinary activities	down 13% to	15,564,179
Loss from ordinary activities after tax attributable to members	down 38% to	(5,323,674)
Net Loss for the period attributable to members	down 38% to	(5,323,674)

Financial reporting period

The current financial reporting period is for the 12 months to 30 June 2005 with the previous corresponding period being the 12 months to 30 June 2004.

Dividends

No dividends were declared or issued by Cosmos Limited ("Cosmos" or "the Company") during the current or prior year.

Commentary on the movements from previous corresponding period

	30 June 2005 $	**30 June 2004** $
Net Loss for the period attributable to members	(5,323,674)	(8,531,016)

Review of operations

The Consolidated entity pursued two avenues of business; retail technology and transaction processing. Funds raised during the year were deployed in the operating of these businesses.

Retail Technology
PharmaSol Pty Ltd is the market leader of the Australian pharmacy market in Point of Sale and dispensing applications. It has a solid platform and a stable market share.

Dynsol Pty Ltd trading as AMFAC, has supported PharmaSol in the pharmacy Point of Sale and dispense market. AMFAC remains a major player in the pharmacy software market place, with operations in most Australian states.

Transaction Processing
Cosmos E-C Commerce Limited has been involved in the electronic transactions and payments business for a number of years, focussing on corporate clients. Cosmos is a leading transaction-processing provider, with exclusive agreements with all major real estate franchise groups to provide payment processing to rental tenants.

General
Since the new Board was appointed in March 2005, a number of loss making and uncommercial joint ventures have been terminated and cost reduction programmes have been instituted. Litigation costs have also been significant in the year to June 2005.

Cosmos Limited
Statement of financial performance

	Notes	30 June 2005	30 June 2004
		$	$
Revenue from sales of goods		1,280,571	1,722,796
Revenue from rendering of services		13,935,010	15,525,668
Other revenue from ordinary activities		348,598	677,801
Total revenue from ordinary activities	2	**15,564,179**	**17,926,265**
Materials and consumables used		(1,859,831)	(2,443,023)
Employee expenses		(13,507,034)	(15,612,538)
Occupancy expenses		(1,749,384)	(1,899,204)
Research and development cost	3	(154,727)	(160,459)
Marketing expenses		(213,965)	(280,310)
Depreciation and amortisation expenses	3	(1,356,052)	(1,588,604)
Borrowing costs		(1,168,170)	(1,481,995)
Carrying value of Surefire net assets sold		-	(744,476)
Other expenses from ordinary activities		(878,690)	(2,246,672)
Total expenses from ordinary activities		**(20,887,853)**	**(26,457,281)**
Loss from ordinary activities before tax		**(5,323,674)**	**(8,531,016)**
Income tax on ordinary activities		-	-
Losses from ordinary activities after income tax expense		**(5,323,674)**	**(8,531,016)**
Net (loss) attributable to members of the parent entity		**(5,323,674)**	**(8,531,016)**
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		**(5,323,674)**	**(8,531,016)**
Earnings per share		**$**	**$**
Basic EPS	9	**(0.010)**	**(0.030)**
Diluted EPS	9	**(0.010)**	**(0.030)**

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 5 to 15

Cosmos Limited
Statement of financial position

	Notes	30 June 2005	30 June 2004
		$	$
Current assets			
Cash assets	7	1,614,270	1,767,710
Receivables		1,330,069	2,288,669
Inventories		195,109	134,621
Other		243,872	413,982
Total current assets		**3,383,320**	**4,604,982**
Non-current assets			
Property plant and equipment		662,084	779,896
Intangible assets	5	3,825,541	4,792,819
Other		140,285	141,288
Total non-current assets		**4,627,910**	**5,714,003**
Total assets		**8,011,230**	**10,318,985**
Current liabilities			
Payables		8,843,425	13,106,053
Interest bearing liabilities	6	2,557,091	9,706,166
Provisions		629,716	518,064
Total current liabilities		**12,030,232**	**23,330,283**
Non-current liabilities			
Interest-bearing liabilities	6	6,554,130	427,758
Provisions		93,070	97,573
Total non-current liabilities		**6,647,200**	**526,331**
Total liabilities		**18,677,432**	**23,856,614**
Net (liabilities)		**(10,666,202)**	**(13,537,629)**
Equity			
Contributed equity	11	73,462,416	65,267,315
Accumulated losses	4	(84,128,618)	(78,804,944)
Equity attributable to members of the parent entity		**(10,666,202)**	**(13,537,629)**

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 5 to 15

Cosmos Limited
Statement of Cash Flows

	Notes	30 June 2005	30 June 2004
		$	$
Cash flows from operating activities			
Cash receipts in the course of operations		18,881,698	14,644,951
Cash payments in the course of operations		(23,313,178)	(16,301,840)
Interest received		38,636	12,373
Interest and other costs of finance paid		(155,917)	(1,036,588)
Net cash used in operating activities	7(b)	**(4,548,761)**	**(2,681,104)**
Cash flows from investing activities			
Payment for property, plant and equipment		(301,955)	(460,894)
Proceeds from sale of Surefire		-	577,530
Net cash (used in)/ provided by investing activities		**(301,955)**	**116,636**
Cash flows from financing activities			
Proceeds from borrowings		600,000	6,285,000
Repayment of borrowings		(1,269,500)	(1,908,869)
Issue of shares		5,375,406	-
Lease payments		(8,630)	(67,805)
Net cash provided by financing activities		**4,697,276**	**4,308,326**
Net (decrease)/increase in cash held		(153,440)	1,743,858
Cash at the beginning of the financial year		1,767,710	23,852
Cash at the end of the financial year	7(a)	**1,614,270**	**1,767,710**

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 5 to 15

Cosmos Limited
Notes to the preliminary final report

Note 1: Statement of significant Accounting Policies

a) Basis of financial report preparation

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

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as disclosed are consistent with those applied in the 30 June 2004 Annual financial report.

The consolidated financial report includes the financial statements of the Company, being the parent entity, and its controlled entities. The balances and effects of transactions between controlled entities included in the consolidated report have been eliminated.

b) Change in accounting policy

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

c) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity incurred an operating loss of $5,323,674 during the year ended 30 June 2005 (reduced from a loss of $8,531,016 for the year ended 30 June 2004) and had net current liabilities of $8,646,912.

The directors nevertheless believe that it is appropriate to prepare the financial report on a going concern basis for the following reasons:

- The Company has entered into agreements for the issue of unsecured convertible notes to raise $6,500,000. This placement to parties associated with Mr. Mark Winnett, a director of the Company, is subject to the approval of shareholders at an Extraordinary General Meeting to be held on 28 October 2004.

- The directors anticipate reaching an agreement with the Australian Taxation Office for the payment of PAYG and superannuation liabilities still outstanding for previous years.

- The directors have implemented cost cutting strategies and believe that the consolidated entity will generate positive net cash flows from operating and funding activities over the next 12 months.

The consolidated entity's ability to generate positive net cash flows over the next 12 months from the date of this report, as contemplated in the business strategy is dependent on several key factors which include retention of current recurring revenue, some growth in the real estate payments product, growth in software and hardware sales in the pharmacy market, successful implementation of certain cost reduction plans and receipt of funding from the convertible note placement.

There may be uncertainty whether the consolidated entity will be able to generate a positive net cash flow in the 12 months from the date of this report. If the consolidated entity is unable to achieve net cash flows as anticipated in the business strategy, alternative strategies may be employed to raise additional funds and further reduce costs.

Cosmos Limited
Notes to the preliminary final report

Note 1: Statement of significant Accounting Policies

c) Going concern (continued)

The going concern basis used in the preparation of the financial report may not be appropriate if the consolidated entity does not meet its planned revenue and cash flow targets or successfully adopt alternative strategies. In this event the consolidated entity may not be able to realise the full value of its assets and extinguish its liabilities, including any contingent liabilities, in the normal course of business at the amounts stated in the financial report.

	30 June 2005 $	30 June 2004 $
Note 2: Revenue from ordinary activities		
Revenue from sale of goods	1,280,571	1,722,796
Revenue from rendering of services	13,935,010	15,525,668
Interest revenue	38,636	12,373
Proceeds from sale of Surefire	-	577,529
Other revenue from ordinary activities	309,962	87,899
Total revenue	**15,564,179**	**17,926,265**

Note 3: Loss before income tax expense

Loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:		
Depreciation:		
Plant and equipment	274,334	242,980
Amortisation:		
Goodwill	715,278	724,873
Intellectual property	252,000	286,137
Leased plant and equipment	68,023	280,058
Leasehold improvements	46,417	54,556
	1,356,052	**1,588,604**
Borrowing cost – Preference shares	-	30,000
Borrowing cost – Convertible notes	805,424	644,627
Borrowing cost – Other debts	362,746	807,368
	1,168,170	**1,481,995**
Net loss on disposal of non-current assets and investments	30,993	7,234
Research and development costs	154,727	160,459
Movement in provision for doubtful debt	(693,524)	790,798
Employee entitlement provisions	107,150	195,332
Cost of goods sold	1,859.831	1,693,329
Operating lease rental expense	973,400	1,136,683
Write down in value of inventory and licence fees	-	141,000
Loan to joint venture written off	399,775	-
Loss on sale of Surefire	-	166,947

	30 June 2005	30 June 2004
	$	$

Note 4: Consolidated accumulated losses

(Accumulated losses) at beginning of the financial year	(78,804,944)	(70,273,928)
Net (loss) attributable to members of the parent entity	(5,323,674)	(8,531,016)
(Accumulated losses) at end of the financial year	**(84,128,618)**	**(78,804,944)**

Note 5: Intangibles

Reconciliation of movement in intellectual property and goodwill

Opening balance	252,000	1,539,759
Amortisation in the period	(252,000)	(286,137)
Sale of Surefire	-	(1,001,622)
Total intellectual property	**-**	**252,000**
Opening balance	4,540,819	5,265,692
Amortisation in the period	(715,278)	(724,873)
Total goodwill	**3,825,541**	**4,540,819**
Total	**3,825,541**	**4,792,819**

Note 6: Interest Bearing Liabilities

	30 June 2005	30 June 2004
	$	$
CURRENT		
Lease liability	2,166	10,794
Other loans – unsecured 1)	840,000	-
Convertible notes 2)	1,205,000	7,759,130
Loan facility secured 3)	509,925	1,936,242
Total current interest bearing liabilities	**2,557,091**	**9,706,166**
NON-CURRENT		
Loan facility secured 3)	-	428,758
Convertible notes 2)	6,554,130	-
Total non current interest bearing liabilities	**6,554,130**	**428,758**

1) Other loans

This amount includes loans received from Lujeta Pty Ltd, a company associated with Mr Mark Winnett, totalling $600,000. The loans are unsecured and subject to a normal interest rate 15% per annum calculated on a daily basis.

2) Convertible notes

As at 30 June 2005 the Company had outstanding $605,000 in unsecured convertible notes which are redeemable in January 2006 and attract an interest rate of 10%. The Company also had on issue $7,154,130 in secured convertible notes of which $600,000 were redeemable in July 2005 and attract an interest rate of 15% and $6,554,130 which are redeemable in July 2006 with an interest rate of 10%.

3) Amfac acquisition loan

The purchase of AMFAC was funded by a loan from Faulding Healthcare Pty Ltd. The current outstanding balance of the loan is due for payment in January 2006. The loan is secured over all the assets and undertakings of Dynsol Pty Limited.

Cosmos Limited
Notes to the preliminary final report

Note 7: Notes to the statement of cash flows
(a) Reconciliation of cash

	30 June 2005	30 June 2004
	$	$
Cash on hand and at bank	**1,614,270**	**1,767,710**
(b) Reconciliation of loss from ordinary activities after income tax to net cash provided by operating activities		
Loss from operating activities after income tax	(5,323,674)	(8,531,016)
Add/deduct) non-cash items:		
Amortisation of goodwill and intellectual property	967,278	1,011,010
Amounts set aside to provisions	(586,374)	986,130
Depreciation	388,774	577,594
Write-down in goodwill	-	-
Issue of shares for services and interest	1,475,222	1,317,947
Interest accreted on Amfac loan	196,429	120,500
Payment of Amfac Loan	562,296	-
Interest expense on finance leases	-	3,400
Add/(deduct) items classified as investing:		
Loss on sale of Surefire	-	166,947
Loss In Joint Venture	399,775	-
Loss on disposal of non-current assets and investment	30,993	35,500
Net loss from ordinary activities after income tax	**(1,889,281)**	**(4,311,988)**
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:		
(Increase)/decrease in inventories	(60,488)	183,482
(Increase)/decrease in receivables	1,652,124	(1,642,816)
(Increase)/decrease in other assets	171,112	510,560
(Decrease)/increase in accounts payables	(4,680,441)	(511,046)
(Decrease)/increase in deferred revenue	18,213	1,373,659
(Decrease)/increase in other liabilities	240,000	1,716,715
Net cash provided by/(used in) operating activities	**(4,548,761)**	**(2,681,434)**

Note 8: Net tangible liabilities backing per ordinary security

	30 June 2005	30 June 2004
Net tangible liability backing per ordinary security	(0.028)	(0.06)

Note 9: Earnings per share (EPS)

	$	$
Earnings Reconciliation		
Net loss	(5,323,674)	(8,531,016)
Basic earnings	(5,323,674)	(8,531,016)
Diluted earnings	(5,323,674)	(8,531,016)
Weighted average number of ordinary shares used as the denominator	**Number**	**Number**
Number for basic earnings per share	521,772,413	285,467,620
Number for diluted earnings per share	521,772,413	285,467,620
Basic earnings per share	**$(0.010)**	**$(0.030)**
Diluted earnings per share	**$(0.010)**	**$(0.030)**

Note 10: Contingent liabilities

The Company is currently involved in several litigation matters in respect of which the directors have provided for costs and anticipated outcomes. The directors are of the opinion that further provisions are not required in respect to these matters.

Cosmos Limited
Notes to the preliminary final report

Note 11: Contributed Equity

	30 June 2005	30 June 2004
	$	$
Issued and Paid-up Capital		
610,713,903 fully paid ordinary shares (2004: 318,298,254)	73,462,416	65,267,315
Movement in ordinary share capital		
At the beginning of the financial year	65,267,315	61,314,598
Shares issued during the year	8,195,101	3,952,717
At the end of the financial year	**73,462,416**	**65,267,315**

On 13 July 2004, the Company issued 344,828 fully paid ordinary shares at $0.029 per share ($10,000) from a placement to professional investors and pursuant to a share purchase plan.

On 2 August 2004, the Company issued 16,464,996 fully paid ordinary shares at $0.02 per share ($329,300) being consideration for interest payments on convertible notes.

On 16 September 2004, the Company issued 138,117,415 fully paid ordinary shares at $0.029 per share ($4,005,405) from a placement to professional investors and pursuant to a share purchase plan.

On 3 December 2004, the Company issued 5,000,000 fully paid ordinary shares at $0.029 per share ($145,000) being consideration for a bonus to the Managing Director as approved at the Extraordinary General Meeting held on 3 September 2004.

On 3 December 2004, the Company issued 12,068,966 fully paid ordinary shares at $0.029 per share ($350,000) being consideration for services received by Cosmos Limited.

On 3 December 2004, the Company issued 46,361,198 fully paid ordinary shares at $0.029 per share ($1,344,475) being consideration for the settlement of the Faulding Healthcare Pty Ltd loan following the AMFAC acquisition.

On 3 December 2004, the Company issued 17,241,389 fully paid ordinary shares to Purnan Pty Ltd, a company owned by N. Purves, at $0.029 per share ($500,000) the proceeds of which were used to settle the Faulding Healthcare Pty Ltd loan following the AMFAC acquisition.

On 21 December 2004, the Company issued 30,000,000 fully paid ordinary shares at $0.029 per share ($870,000) to the Managing Director as participation in the professional investors placement that was approved at the Extraordinary General Meeting held on 3 September 2004.

On 31 January 2005, the Company issued 2,564,221 fully paid ordinary shares at $0.02 per share ($51,284.42) being consideration for interest on convertible notes.

On 1 February 2005, the Company issued 12,631,871 fully paid ordinary shares at $0.02 per share ($252,637.42) being consideration for interest on convertible notes.

Terms and conditions
Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Cosmos Limited
Notes to the preliminary final report

Note 12: Segment reporting

	Transaction Processing 2005 $	Retail Technology 2005 $	Eliminations 2005 $	Consolidated 2005 $
Segment revenue	5,164,574	10,344,302	-	15,508,876
Unallocated revenue				55,303
Total revenue from ordinary activities	**5,164,574**	**10,344,302**	-	**15,564,179**
Segment result	130,823	1,655,464	-	1,786,287
Unallocated expenses				(7,109,961)
Profit/ (loss) from ordinary activities	**130,823**	**1,655,464**		**(5,323,674)**
Segment assets	1,999,391	7,462,471	(1,772,049)	7,689,813
Unallocated assets				321,417
Total assets	**1,999,391**	**7,462,471**	**(1,772,049)**	**8,011,230**
Segment liabilities	(4,621,861)	(15,570,158)	12,448,665	(7,743,354)
Unallocated liabilities				(10,934,078)
Total liabilities	**(4,621,861)**	**(15,570,158)**	**12,448,665**	**(18,677,432)**
Depreciation and amortisation	420,856	890,175	-	1,356,052
Acquisition of non-current assets	154,613	117,342	-	277,851
Non-cash expenses other than depreciation and amortisation	-	-	-	654,924

Segment by Geographic region	**NSW**	**Victoria**	**Eliminations**	**Consolidated**
Segment revenue	9,171,992	6,336,884	-	15,508,876
Other unallocated revenue				55,303
Total	**9,171,992**	**6,336,884**	-	**15,564,179**
Segment result	355,085	1,431,202	-	1,786,287
Unallocated expenses				(7,109,961)
Profit / (loss) from ordinary activities	**355,085**	**1,431,202**	-	**(5,323,674)**
Segment assets	4,631,743	4,830,119	(1,772,049)	7,689,813
Unallocated assets				321,417
Total assets	**4,631,743**	**4,830,119**	(1,772,049)	**8,011,230**
Segment liabilities	(10,754,655)	(9,437,364)	12,448,665	(7,743,354)
Unallocated liabilities				(10,934,078)
Total liabilities	**(10,754,655)**	**(9,437,364)**	12,448,665	**(18,677,432)**
Depreciation and amortisation	658,947	652,084	-	1,356,052
Acquisition of non-current assets	197,020	74,935	-	277,851

Cosmos Limited
Notes to the preliminary final report

Note 12: Segment reporting (continued)

	Transaction Processing 2004 $	Retail Technology 2004 $	Eliminations 2004 $	Consolidated 2004 $
Segment revenue	5,394,212	12,469,690	-	17,863,902
Unallocated revenue			-	62,363
Total revenue	**5,394,212**	**12,469,690**	-	**17,926,265**
Segment result	552,380	(179,079)	-	373,301
Unallocated expenses			-	(8,904,317)
Loss from ordinary activities	**552,380**	**(179,079)**	-	**(8,531,016)**
Segment assets	1,115,290	10,678,933	(2,160,205)	9,634,018
Unallocated assets			-	684,967
Total assets	**1,115,290**	**10,678,933**	**(2,160,205)**	**10,318,985**
Segment liabilities	(4,841,100)	(21,790,949)	13,395,920	(13,236,129)
Unallocated liabilities				(10,620,485)
Total liabilities	**(4,841,100)**	**(21,790,949)**	**13,395,920**	**(23,856,614)**
Depreciation and amortisation	(495,613)	(1,042,095)	-	(1,588,604)
Inventory write down	-	141,000	-	141,000
Acquisition of non-current assets	173,254	116,947	-	432,628
Non-cash expenses other than depreciation and amortisation	-	-	-	832,220

Segment by Geographic region	**NSW**	**Victoria**	**Eliminations**	**Consolidated**
Segment revenue	9,751,221	8,112,681	-	17,863,902
Other unallocated revenue	-	-	-	62,363
Total revenue	**9,751,221**	**8,112,681**	-	**17,926,265**
Segment result	780,921	(407,820)	-	373,101
Unallocated expenses			-	(8,904,117)
Profit / (loss) from ordinary activities	**780,921**	**(407,820)**	-	**(8,531,016)**
Segment assets	4,709,003	7,085,220	(2,160,205)	9,634,018
Unallocated assets			-	684,967
Total assets	**4,709,003**	**7,085,220**	**(2,160,205)**	**10,318,985**
Segment liabilities	(12,452,316)	(14,179,733)	13,395,920	(13,236,129)
Unallocated liabilities			-	(10,620,485)
Total liabilities	**(12,452,316)**	**(14,179,733)**	**13,395,920**	**(23,856,614)**
Depreciation and amortisation	(769,992)	(767,716)	-	(1,588,604)
Inventory write down	-	141,000	-	141,000
Acquisition of non-current assets	233,431	56,770	-	432,628

Cosmos Limited
Notes to the preliminary final report

Note 13: Impact of adopting Australian equivalents to International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

The impact of transition to AIFRS, including the transitional adjustments disclosed in the reconciliation from current Australian GAAP to AIFRS, and the selection and application of AIFRS accounting policies are based on AIFRS standards that management expects to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report (being the half-year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the company's and consolidated entity's financial position, results and cash flows in accordance with AIFRS. This Note provides only a summary. Therefore, further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

This preliminary report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and elections expected to be made under AASB 1 are set out below.

a) Intangible assets

Goodwill

Goodwill represents the difference between the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

In respect of acquisitions prior to transition date, goodwill is expected to be included on the basis of its deemed cost, which represents the amount recorded under Australian GAAP, adjusted for reclassifications of other intangible assets not meeting the AIFRS recognition criteria. No reclassifications are expected.

Goodwill will be stated at cost less any accumulated impairment losses. Goodwill will be allocated to cash generating units and tested annually for impairment.

Negative goodwill arising on acquisition will be recognised directly in profit and loss unless it is deemed to be a transaction with owners. Under current Australian GAAP, negative goodwill is allocated to the non-monetary assets acquired. As business combinations have not been restated there is no expected impact of this change in treatment on transition.

Other intangible assets

Other intangible assets acquired will be stated at cost less accumulated amortisation and impairment losses.

On transition, other intangible assets are being reviewed to ensure they are capable of recognition under AASB 138 Intangible Assets and tested for impairment. No reclassification or impairment losses are expected.

Amortisation

Amortisation will be recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life will not be subject to amortisation but tested for impairment annually. Other intangible assets will be amortised from the date they are available for use. Changes in useful life on transition to AIFRS will be accounted for prospectively. The estimated useful lives for 1 July 2005 are expected to be as follows:

	AIFRS	Current A GAAP
Intellectual property	5 yrs	5 yrs
Goodwill	indefinite	Indefinite

Note 13: Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

b) Leased assets

Make good provision

The consolidated entity has certain operating leases that require the leased premises to be returned to the lessor in their original condition. The operating lease payments do not include an element for the repairs / overhauls.

Under current Australian GAAP the costs of refurbishment are not recognised until the expenditure is incurred, whereas under AIFRS a provision for refurbishment must be recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

c) Employee benefits

Share based payments

Under current Australian GAAP no expense is recognised for options issued to employees.

Under AIFRS, the fair value of options granted must be recognised as an employee benefit expense with a corresponding increase in equity. The fair value will be measured at grant date taking into account market performance conditions only, and spread over the vesting period during which employees become unconditionally entitled to the options. The fair value of options granted will be measured using the binomial method, taking into account the terms and conditions attached to the options. The amount recognised as an expense will be adjusted to reflect the actual number of options that vest except where forfeiture is due to market related conditions.

As at 30 June 2005 there were no options outstanding that were capable of vesting prior to expiry. Accordingly, there will be no adjustment in regard of this item in respect of the year to 30 June 2005.

Reconciliation of profit for the financial year ended 30 June 2005

The following table sets out the expected adjustments to the statements of financial performance of the consolidated entity for the year ended 30 June 2005.

	Consolidated
	$
Loss per AGAAP	(5,323,674)
Elimination of amortisation per AIFRS	715,278
Provision for cost of refurbishing leased assets	(10,920)
Net adjusted loss	(4,619,316)

Reconciliation of retained earning for the financial year ended 30 June 2005

	30 June 2005	**01 July 2004**
	$	**$**
Retained earnings at end of year under AGAAP	(84,128,618)	(78,804,944)
Elimination of amortisation per AIFRS	715,278	-
Provision for cost of refurbishing leased assets	(26,135)	(15,215)
Retained earnings at end of year under AIFRS	(83,439,475)	(78,820,159)

Note 14: Subsequent events

In September 2005, the Company executed agreements for the receipt of $6.5 million from a placement of unsecured convertible notes to companies associated with Mr. Mark Winnett. The capital raising will provide working capital and eliminate outstanding statutory debt liabilities. Full details regarding this capital raising will be included in the explanatory memorandum to be sent to shareholders with the notice of general meeting to be held on 28 October 2005.

Of the 600,000 secured convertible notes due to mature on 31 July 2005, 300,000 have been redeemed and 300,000 have had their maturity date extended to 31 July 2006.

Since 30 June 2005 the Company has received additional loan funds from Lujeta Pty Ltd amounting to $200,000. The total amount due to Lujeta Pty Ltd is now $800,000.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

* * *

Annual meeting

The annual meeting will be held as follows:

Place	Medina Grand Harbourside
Date	30 November 2005
Time	11.00 am
Approximate date the annual report will be available	20 October 2005

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the accounts upon which the report is based, use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on accounts which are in the process of being audited.

5 The entity has a formally constituted audit committee.

Sign here: .... Date: 13 September 2005
(Company Secretary)

Print name: **Julian M. S. Walter**