

*FAST SCOUT LIMITED*

ANNUAL REPORT 2003

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 	<b>BOARD</b>
	Farooq Khan (Executive Chairman and Managing Director)
	Azhar Chaudhri (Executive Director)
	Yaqoob Khan (Executive Director)
	Victor Ho (Executive Director)
	<b>COMPANY SECRETARY</b>
	Victor Ho
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www.fastscout.com	
Visit our website for:	
- Latest News	
- Market Announcements	
- Financial Reports	
Register your email with us to Receive latest Company announcements and releases	
EMAIL US AT:	
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## DIRECTORS' REPORT

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The Directors present their report on Fast Scout Limited ("Company" or "Fast Scout") and its controlled entities (the "Consolidated Entity") for the financial year ended 30 June 2003 ("Balance Date").

Fast Scout is a company limited by shares that is incorporated and domiciled in Western Australia and is listed on the Australian Stock Exchange ("ASX").

Fast Scout has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. Controlled entities are Virtual Web Pty Ltd ABN 12 102 978 370 (controlled from incorporation on 28 November 2002) and Fast Scout, Inc. (controlled throughout the financial year).

Fast Scout has also accounted for its 21.74% interest in ASX listed Altera Capital Limited ABN 55 082 541 437 (formerly Bigshop.com.au Ltd) as at Balance Date as an investment in an Associate entity (on an equity accounting basis) pursuant to Accounting Standard AASB 1016 "Accounting for Investment in Associates."

### PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year were the sale and marketing and on-going development of the Virtual Web Employee Internet Management ("EIM") service and management of its share investments.

### OPERATING RESULTS

	Consolidated 2003	Company 2002
Net profit (loss)	(\$1,675,522)	(\$10,710,744)

### EARNINGS PER SHARE

	Consolidated 2003	Company 2002
Basic earnings per share (cents)	(2.05)	(12.56)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	81,593,281	85,281,479

### NET TANGIBLE ASSET BACKING

	Consolidated 2003	Company 2002
Net assets	\$3,520,361	\$5,195,672
Less intangible assets – Portal Technology:		
Prepaid classification works	(\$167,810)	(\$1,216,950)
Portal development works	(\$706,072)	(\$783,050)
Net tangible assets	\$2,646,479	\$3,195,672
Fully paid ordinary shares on issue at Balance Date	81,593,281	81,593,281
Net tangible asset backing per fully paid ordinary share as at Balance Date (cents)	3.24	3.92

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## DIRECTORS' REPORT

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### REVIEW OF OPERATIONS

#### 1. PORTAL TECHNOLOGY

##### 1.1 About Virtual Web

The Company launched Virtual Web and began marketing the service in April 2002.

Virtual Web is an Employee Internet Management ("EIM") service which effectively comprises a private subset of the Internet containing websites that have been manually qualified against a pre-determined criteria and allows users to access only appropriate business-related websites verified by the Company's Web Classification Editors. The Virtual Web currently allows access to a continually expanding database of millions of business-related web pages and general government and education websites.

The Company has formed the view that the principal source of revenue from the commercial exploitation of its Portal Technology will arise from the subscription based Virtual Web service rather than the Fast Scout Portal. Consequently, Data Base Systems Ltd ("Data Base") has been advised to focus its classification works on providing manually classified business-related websites for inclusion in Virtual Web.

Organisations frequently deny employees access to the Internet in the workplace as they are unable to limit or monitor websites visited. In addition, for those organisations that do allow employees unrestricted Internet access, a major concern is the amount of unproductive time wasted by employees in accessing non-business related sites during working hours.

Fast Scout's Virtual Web offers a number of key benefits for organisations that include:

- Increases in productivity from staff who are unable to access non-business related websites whilst at work;
- Reduction in the risk of employee litigation arising from staff inadvertently exposed to objectionable material whilst at work;
- Improvements in network security by preventing access to sites that might upload viruses which could infect an office network;
- Reduction in bandwidth costs by restricting unnecessary downloads of large files such as music files and video clips.

Organisations can also dispense with the costs and management time associated with monitoring Internet use in the workplace and indeed, expand Internet access for all staff without worry of Internet abuse.

As well as meeting the requirements of commercial businesses and government agencies, the Company believes the Virtual Web service is well suited to meet the growing needs of the education sector. Schools are increasingly installing broadband Internet connections, giving students greater access to the World Wide Web. Issues faced by schools with these fast Internet connections are the escalating costs associated with the downloading of non-educational material by students (eg. Games, music and video) and the browsing of easily accessible inappropriate and offensive websites by students – one sinister consequence of which is the increased the risks of vulnerable children establishing contact with paedophiles through Internet chat rooms, whilst at school.

Virtual Web offers schools one of the most secure and cost effective means of protecting students on the Internet.

Further information about Virtual Web may be obtained from: [www.virtualweb.com.au](http://www.virtualweb.com.au)

## DIRECTORS' REPORT

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### 1.2 Virtual Web Enhancements

The Company has previously reported on recent enhancements made to Virtual Web, including the "Customer Specific List" feature and "reticulation" system.

Through its marketing activities over the last year, it has become clear to the Company that one area of important future development is the ability to deploy the Virtual Web across multiple customer infrastructure platforms. Virtual Web is currently offered on a UNIX server platform, with custom built servers typically installed on a customer's site and managed by the Company. Whilst this infrastructure has proven to be extremely robust and secure, in order to increase market penetration the Company believes it is necessary to offer Virtual Web to customers with a choice of platforms, so that it integrates more efficiently with their existing network infrastructure. The Company also considers it a commercial imperative to develop a software-only version of Virtual Web, which prospective customers can download from the Internet or load from a compact disc directly onto their existing hardware rather than have Company supplied hardware installed in their network.

The Company has therefore embarked on the prototype development of downloadable versions of Virtual Web that can be installed on customers' own UNIX or Microsoft ISA Server platforms – the latter commonly used in many corporate, government and educational establishments. A key element of this development work is ensuring that the Company's intellectual property is protected. Since these downloadable solutions require the storage and regular updating of the Company's list of manually classified websites on a customer's hardware, the Company is developing a secure means of encrypting this list.

In relation to ongoing classification works performed by Data Base pursuant to the Portal Classification Agreement, as a consequence of the increasing interest from the education sector, the Company has focussed an increasing portion of its classification resources on identifying and classifying further educational websites, in order to increase the utility of the Virtual Web service in this market.

### 1.3 Commercialisation of Virtual Web

Sales of Virtual Web have progressed steadily but slowly over the last year. Virtual Web is now being used by a number of schools in Perth (including Wesley College, Swan Christian Education Association and Dale Christian School), as well as the City of Perth local council and a local law firm.

The Company has received most success in the education sector; at the time of this report, in addition to the sales already mentioned, a number state schools and independent schools are trialing the Virtual Web service and many more have expressed serious interest.

To date the Company has used a direct sales approach to actively identify and develop sales of Virtual Web. Based upon its experiences over the last 12 months, it has become clear that in order to reach the volume of sales necessary to justify continued commitment to this business, the Company needs to make the Virtual Web service available across a range of customer platforms and utilise a range of additional sales channels to promote the service. Accordingly the Company's focus over the next 6 months, in addition to continuing to promote Virtual Web in its current form, is to develop versions of Virtual Web that can be easily installed by customers on their own hardware platforms. Subject to the commercial viability of such version of Virtual Web, the Company will investigate appropriate distribution channels and reseller partners to actively promote these products.

The Company remains cautious about preserving its cash reserves and will continue to monitor the commercial advancement of Virtual Web relative to its capacity to fund such advancement. The Company conducted a thorough strategic review of the commercial advancement of Virtual Web after the end of the financial year. Following this review it was decided to undertake the software developments described above and continue to support the business model. The Company will review its plans for this business model towards the end of the current calendar year, giving the Company sufficient time to test the market with the new software versions of Virtual Web.

## DIRECTORS' REPORT

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### 1.4 Portal Technology Development Costs

Pursuant to a Portal Classification Agreement, Data Base is required to classify a total of 3,146,000 Internet website URL's (over a 5 ½ year period). As advised in the Company's IPO Prospectus dated 12 January 2000, the Company prepaid a portion of such classification costs by the issue of 50,301,800 fully paid ordinary shares at an issue price of 20 cents per share (representing a value of \$10,060,340) and was required to pay a further cash component being \$272,700 for the first 286,000 websites to be classified during the first 6 months from commencement of classification works (which began in November 2000). Thereafter, the Company is required to pay \$2,002,000 cash for the balance of 2,860,000 websites to be classified over the subsequent 60 month period (at a rate of \$0.70 per website URL classified).

All Classification, Category and Portal Delivery System development costs incurred up to the launch of the Fast Scout Portal and Virtual Web service on 9 April 2002 were capitalised as an asset. Thereafter, all such costs are expensed as incurred.

During the financial year, the Company received a net total of 291,973 classified business-related website URL's from Data Base at a net cost of \$1,138,054 (2002: \$1,820,220), comprising:

- (i) \$933,673 drawn-down from prepayments (2002: \$1,493,331); and
- (ii) a cash component of \$204,381 (2002: \$326,889).

The Company incurred total classification works expenses of \$1,168,613 during the financial year (2002: \$241,376), including the above costs.

The Company notes that the commercial Virtual Web service have only been effectively marketed for 12 months (since the appointment of the Sales and Marketing Manager in August 2002), the Internet sector in which the Company operates is inherently uncertain and that the ultimate recoverability of the Portal Technology assets is highly dependent upon the success of their commercialisation and the generation of sufficient future economic benefits from the same.

In light of such factors and a review of the commercial prospects of the Virtual Web service, the Board has also determined to expense (write-down) the carrying value of its investment in the Portal Technology assets to a combined value of \$873,882 as at 30 June 2003 (31 December 2002: \$1.5m; 30 June 2002: \$2m). The amount written-down (expensed) during the financial year was \$192,446 (2002: \$8,859,246).

### 1.5 Portal Technology Classification Expenditure Commitments

At the Balance Date, the Company has received a net total of 1,407,290 classified business-related website URL's from Data Base.

The cash expenditure commitments of the Company pursuant to the Portal Classification Agreement as at the Balance Date may be summarised as follows:

Balance of website URL's to be classified by Data Base	1,738,710
Balance of cash commitment payable by Company	\$1,217,097

Such balance of classification works is scheduled for completion by April 2006 at an average rate of ~52,688 website URL's per month.

The Company also notes that a significant portion of the Company's original Prepaid Classification Works of \$10,060,340 has been expensed/written-down over the last 2 financial years to only \$167,810 as at Balance Date (2002: \$1,216,950).

## DIRECTORS' REPORT

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### 2. GENERAL INVESTMENT STRATEGIES

In addition to the commercial exploitation of the Company's investment in the Virtual Web service, the Board is actively seeking to add value to the asset base and underlying share price of the Company through the pursuit of selective investment and other commercial opportunities.

Such selective investment and commercial opportunities will be pursued with the objective(s) of creating a secure income stream for the Company and/or the acquisition of assets that provide for capital growth. Assets will be acquired either on the basis that they are currently undervalued or present the opportunity for superior capital growth.

The intention is to increase the asset base of the Company to a level which the Board considers is a prudent capital base from which it will be able to take advantage of further commercial investment activities. The Board will also consider the expansion of the capital base of the Company through the issue of equity capital and/or the formation of strategic alliances or mergers with other companies.

The Board believes that a listed company requires a critical mass of capital sufficient to secure commercial opportunities and accordingly provide both an income stream and capital growth for its shareholders. The Board believes that a prudent capital base from which a listed company is able to secure such commercial objectives is between \$10 – 15 million.

This capital base of \$10 – \$15 million dollars has been determined as an appropriate base by the Board based upon a number of matters including but not limited to an analysis of the existing capital structure of the Company, its current cash reserves, the present state of the Australian capital markets, the likelihood of the Company attracting capital investment in the short to medium term at prices at least equal to or in excess of its current cash backing and the level of internal investment capital the Board believes the Company requires to generate economic returns sufficient to attract investor support and accordingly the ability to raise further capital.

The Board does not believe that the Company will be readily able to achieve such objective on its own. The Board however believes that such objective can be achieved through an "aggregation" process whereby the assets of the Company and a number of other suitable listed companies are combined effectively into a single entity that holds the collective net tangible assets previously held in each separate company.

This "aggregation" process may be realised (subject to acceptable taxation advice and compliance with the Corporations Act and the ASX Listing Rules) through a number of avenues including participating companies subscribing to a new "master" company or via a scheme of arrangement. Alternatively, an existing participating company may be used as the "lead" vehicle in terms of the aggregation process.

The Board is currently in discussions with a number of Australian public listed companies with respect to this aggregation process and expect that such process will be completed before the end of the current financial year.

### 3. INVESTMENT IN ALTERA CAPITAL LTD

The Company currently holds 20,002,860 shares in Altera Capital Ltd (formerly Bigshop.com.au Ltd) ("Altera Capital") representing 21.74% of its issued ordinary share capital and being the largest shareholding in the company.

#### 3.1 Status of Altera Capital

The Company notes that, based on Altera Capital's 30 June 2003 Annual Directors' and Financial Reports and most recent August 2003 Monthly Cash Flow Report:

- Altera Capital had net tangible assets of \$4,417,951 (including cash reserves of \$2,179,074 (net of cost of takeover bid for ASX listed Software Communication Group Ltd ("Sofcom")) and a holding of 35,953,262 shares in Sofcom valued at \$2,408,869 (based on closing price of 6.70 cents per share) as at 30 June 2003;

## DIRECTORS' REPORT

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- Altera Capital's 35,953,262 shares in Sofcom represented 80.54% of Sofcom's issued capital post the completion of a Sofcom buy-back in July 2003;
- Altera Capital had cash reserves of \$2.079m as at 31 August 2003.

If Altera Capital completes its Buy-Back Offer (see below) with acceptances received in respect of the Buy-Back Limit of 30,000,000 shares, it will cost Altera Capital approximately \$1.26m, such funds to be drawn from Altera Capital's existing net cash reserves as described above.

Altera Capital's ASX announcements and reports may be viewed and downloaded from its website on [www.alteracapital.com](http://www.alteracapital.com) or the ASX website: [www.asx.com.au](http://www.asx.com.au) under ASX code "AEA".

### 3.2 Equal Access Scheme Buy-Back

On 15 July 2003, Altera Capital announced its intention to offer to purchase up to 100% of each shareholder's fully paid ordinary shares in Altera Capital ("Buy-Back Offer") through an off-market equal access scheme buy-back at a price of 4.20 cents per share, subject to a maximum buy-back of 30,000,000 shares (out of a total share capital of 92,018,213 shares) ("Buy-Back Limit") (the "Buy-Back").

Altera Capital has advised that:

- The Buy-Back price of 4.20 cents represents a 247% premium to the 1.70 cent last trading price of Altera Capital just prior to its suspension on ASX on 12 June 2003;
- However, the Buy-Back price of 4.20 cents is likely to be below the net tangible asset backing per share of Altera Capital at the time of completion of the Buy-Back Offers;
- Accordingly, the net tangible asset backing of Altera Capital should rise upon the conclusion of the Buy-Back;
- All of the shares that are bought back by Altera Capital (within the Buy-Back Limit of 30,000,000 shares) will be cancelled, and accordingly reduce the total number of Altera Capital's shares on issue post Buy-Back;
- Accordingly, Altera Capital shareholders who do not accept into the Buy-Back Offer will increase their voting power in the Company;
- The extent of such increases in voting power and net tangible asset backing per share will be a function of the ultimate level of acceptances under the Buy-Back Offer and the net tangible assets of Altera Capital at such time;
- If Altera Capital receives acceptances for more than the Buy-Back Limit, then a scale-back will operate;
- Assuming that acceptances are received in respect of the Buy-Back Limit of 30,000,000 Shares, the maximum amount required to fund the Buy-Back would be approximately \$1.26m. The Buy-Back will be funded from Altera Capital's existing net cash reserves of approximately \$2.07m as at 31 August 2003.

The Buy-Back was subject to Altera Capital shareholder approval which was obtained at a general meeting held on 15 August 2003.

On 29 August 2003, a Buy-Back Offer document was sent to all Altera Capital shareholders. Buy-Back Offers are scheduled to close on 17 September 2003.

The Company announced on 11 September 2003 that it had received Buy-Back Offer acceptances in respect of 19,012,580 shares at a Buy-Back cost of \$798,528.36.

If Altera Capital cancels 30,000,000 shares on completion of the Buy-Back and the Company does not tender into the Buy-Back, the Company's 20,002,860 shares in Altera Capital will represent 32.25% of its issued ordinary share capital.

## DIRECTORS' REPORT

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### 3.3 Rights Issue

Altera Capital has advised that if the company completes the buy-back of 30,000,000 shares the subject of Buy-Back Offers, it will not proceed with the one for one non-renounceable rights issue at 2.50 cents per share ("Rights Issue") (which was approved by its shareholders at a general meeting held on 13 June 2003).

The Company had previously advised Altera Capital that, subject to shareholder approvals (where relevant and the Rights Issue proceeding as planned, it intended to take up its full entitlements under the Rights Issue.

The Board believed that the Rights Issue, which would afford the Company with the ability to increase its interest in Altera Capital at a price below the company's net asset backing, would be of benefit to the Company and its shareholders and is in accord with the Company's stated general investment objectives.

The Company currently holds 20,002,860 (21.74%) shares and accordingly, if the Company were to take up its full entitlement under the Rights Issue it would contribute approximately \$500,071 under the Altera Capital Rights Issue.

### 3.4 ASX Suspension

At the request of the ASX and pursuant to the ASX Listing Rules, Altera Capital has been suspended from quotation on ASX from 13 June 2003, on the eve of its general meeting approving the making of its takeover bid for Sofcom and the Rights Issue.

Altera Capital's suspension will continue until it fully re-complies with Chapters 1 and 2 of the ASX Listing Rules, including a capital consolidation to ensure a sale price of at least \$0.20, lodgement of a full form prospectus and satisfaction of the spread requirements set out in Listing Rule 1.1.

Altera Capital has advised that it will use its best endeavours to re-comply with Chapters 1 and 2 of the Listing Rules and seek reinstatement to the ASX. If such re-compliance with Chapters 1 and 2 of the Listing Rules does not occur by June 2004 (i.e. within 12 months of the 13 June 2003 general meeting), Altera Capital may be delisted by ASX.

## 4. CORPORATE

### 4.1. On-Market Buy-Back Of Shares

On 26 June 2002, the Company announced an intention to commence an on-market "within 10/12 limit" share buy-back pursuant to Part 2J.1 Division 2 of the Corporations Act 2001. That is, the Company is permitted to buy-back on-market up to 10% of its issued ordinary share capital within a 12 month period. The Directors note that the buy-back of shares at prices below the Company's net tangible asset backing per share will improve the net tangible asset backing per share for remaining shareholders.

To this end, 3,708,519 fully paid ordinary shares were bought-back on 28 June 2002 at a cost of \$63,872 (including transaction costs) with such shares being cancelled on 4 July 2002.

The Company was authorised to buy-back up to a further 4,821,661 shares by 26 June 2003. However, the Company did not buy-back any further shares during the financial year and announced the end of this on-market buy-back effective 26 June 2003.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the Consolidated Entity during the financial year other than that referred to in this report or the financial statements, or notes thereto.

## DIRECTORS' REPORT

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### SECURITIES IN THE COMPANY

At the date of this report, there were 81,593,281 listed fully paid ordinary shares in the Company on issue. There were no other securities in the Company on issue.

There were no securities issued or granted by the Company during or since the financial year.

### FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

### DIVIDENDS

No dividends have been paid or declared during the financial year. The Directors do not recommend the payment of a dividend in respect of the financial year.

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity is not subject to any particular or significant environmental regulation.

### TAX CONSOLIDATION

The Company and its controlled entities have not entered into tax consolidation.

### 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 elsewhere in this annual report.

### DIRECTORS

The names and particulars of all Directors in office during and since the financial year are:

1. **Farooq Khan**  
Chairman and Managing Director  
Age 41

Mr Khan has successfully founded a number of private companies and concluded a number of successful initial public offers in Australia in the technology sector. Mr Khan holds a Bachelor of Jurisprudence and Bachelor of Law degree from the University of Western Australia. After practicing for a number of years, principally in the field of corporate law, Mr Khan left the legal profession to form Queste Communications Ltd, an ASX listed telecommunications technology company, and later, the Company. Mr Khan is a director of Data Base Systems Ltd, a company with whom the Company has a contractual relationship for the provision of services in relation to the Fast Scout portal technology. Mr Khan is also the Chairman and Managing Director of ASX listed Queste Communications Ltd, Altera Capital Ltd and Software Communication Group Ltd. Mr Khan brings considerable experience in commercial law and corporate management and administration to the Company.

## DIRECTORS' REPORT

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2. **Azhar Chaudhri**  
Executive Director  
Age 41

Mr Chaudhri holds a Bachelor of Science degree in Maths and Physics and a Masters degree in Economics. He has also undertaken postgraduate computer studies in the United Kingdom. Mr Chaudhri has considerable expertise in computer systems, analysis and design and advanced programming experience, particularly with respect to business and information technology systems and Data Base computing. In particular Mr Chaudhri has formed and led software development teams creating integrated database and management information systems for utilities, local government land tax departments, hospitals, libraries and oil terminals. Mr Chaudhri is a director of Data Base Systems Ltd a company with whom the Company has a contractual relationship for the provision of services in relation to the Fast Scout portal technology. Mr Chaudhri is also a Director of ASX listed Queste Communications Ltd.

3. **Victor Ho**  
Executive Director  
Age 33

Mr Ho has been the Company Secretary since soon after the Company's listing on the ASX in March 2000. Mr Ho holds Bachelor of Commerce and Bachelor of Law degrees from the University of Western Australia and has 9 years experience in the taxation profession with the Australian Taxation Office and in a specialist taxation law firm. Mr Ho is currently the Company Secretary of ASX listed Queste Communications Ltd and a Company Secretary and Executive Director of ASX listed Central Exchange Ltd, Altera Capital Ltd and Software Communication Group Ltd. Mr Ho brings considerable experience in all aspects of public company administration to the Company.

4. **Yaqoob Khan**  
Executive Director  
Age 38

Mr Khan holds a Bachelor of Commerce degree from the University of Western Australia and a Master of Industrial Administration degree from Carnegie Mellon University, Pittsburgh, Pennsylvania, USA. After working for several years in the Australian Taxation Office, Mr Khan completed his postgraduate Masters degree and commenced work as a senior executive responsible for product marketing, costing systems and production management. Mr Khan is also a Director of ASX listed Central Exchange Ltd and Queste Communications Ltd. Mr Khan brings considerable international experience in key aspects of corporate finance, production and marketing to the Company.

At the Balance Date, Messrs Azhar Chaudhri and Yaqoob Khan were resident overseas.

## DIRECTORS' MEETINGS

During the year, the Company held 9 meetings of Directors (including Directors' Circulatory Resolutions). The attendance of the Directors at such meetings were:

Name of Director	Meetings Attended	Maximum Possible Meetings
F Khan	7	7
Y Khan	9	9
A Chaudhri	8	8
V Ho	8	8

There were no meetings of committees of the Board.

## DIRECTORS' REPORT

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### DIRECTORS' RELEVANT INTEREST

The relevant interest of each Director in the issued securities of the Company at the date of this report is as follows:

Name of Director	Fully Paid Ordinary Shares
F Khan	20
Y Khan	20
A Chaudhri	52,734,221
V Ho	50,000

Mr A Chaudhri has a current relevant interest in 50,226,700 fully paid ordinary shares held by Data Base Systems Ltd. 10,060,340 such shares are subject to the ASX escrow provisions and may not be quoted on the ASX until expiry of the escrow period on 7 March 2004.

### DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

The Board reviews the remuneration packages of all Directors and Executive Officers. The Board does not have any formal remuneration policy but any decision on remuneration increases or bonuses is made having due regard to the Consolidated Entity's performance and other relevant factors.

Details of the nature and amount of each element of remuneration of each Director of the Consolidated Entity paid or payable by the Consolidated Entity during the financial year are as follows:

#### Remuneration of Directors of the Company

Name of Director	Office Held	Salary	Directors Fees	Superannuation	Total
		\$	\$	\$	\$
F Khan	Chairman and Managing Director	100,385	-	9,035	109,420
Y Khan	Executive Director	-	15,000	-	15,000
A Chaudhri	Executive Director	-	50,000	-	50,000
V Ho	Executive Director	13,000	17,000	2,710	32,710

The Company did not have any Executive Officers (other than Executive Directors) during the financial year.

There were no securities issued or granted to Directors or Executive Officers of the Company, during or since the financial year, pursuant to any executive or employee share or option plan or otherwise.

### INDEMNITIES

The Company's constitution provides that, subject to and so far as permitted by the Corporations Act 2001:

- (a) the Company must, to the extent the person is not otherwise indemnified, indemnify every officer of the Company and its wholly owned subsidiaries and may indemnify its auditor against a liability incurred as such as an officer or auditor to a person (other than the Company or a related body corporate), unless the liability arises out of conduct involving a lack of good faith; and
- (b) the Company may make a payment (whether by way of advance, loan or otherwise) in respect of legal costs incurred by an officer or employee or auditor in defending an action for a liability incurred as such as an officer, employee or auditor or in resisting or responding to actions taken by a government agency or a liquidator.

## DIRECTORS' REPORT

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The indemnity in favour of officers is a continuing indemnity. It applies in respect of all acts done by a person while an officer of the Company or one of its wholly owned subsidiaries even though the person is not an officer at the time the claim is made.

Without limiting a person's rights under the indemnity described above, the Company may enter into an agreement with a person who is or has been an officer of the Company or any of the Company's subsidiaries, to give effect to the rights of the person under the indemnity on any terms and conditions that the Board thinks fit. The Company has not, during or since the financial year, indemnified or agreed to indemnify a Director, officer or auditor of the Company or of any related body corporate against a liability incurred as such a Director, officer or auditor.

However, the Company has paid premiums during the financial year in respect of a directors' and officers' liability insurance policy which covered all Directors and officers of the Company and its wholly-owned subsidiaries up to 1 July 2003. The policy conditions preclude the Company from any detailed disclosures concerning such policy.

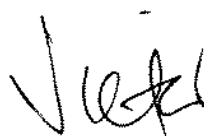
### EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of the report, other than those referred to in this report or the financial statements or notes thereto, that have significantly affected or may significantly affect the operations, the results of operations or the state of affairs of the Company in subsequent financial years.

Signed for and on behalf of the Directors in accordance with a resolution of the Board made pursuant to section 298(2) of the Corporations Act 2001.



Farooq Khan  
Executive Chairman



Victor Ho  
Executive Director

Perth, Western Australia

11 September 2003

## CORPORATE GOVERNANCE

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The Board is responsible for the overall corporate governance of the Company, and it recognises the need for the highest standards of behaviour and accountability.

The primary responsibilities of the Board include:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review of performance and remuneration of executive Directors; and
- the establishment and maintenance of appropriate ethical standards.

The Board delegates to the Managing Director and the executive team all responsibility for the operation and administration of the Company.

### Terms of Appointment as a Director

The constitution of the Company provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

### Independent Professional Advice

Each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

### Share Trading

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information.

### Committees

In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management.

Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest).

Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

### Code Of Conduct

In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.

### Communication to Market and Shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders and the market through:

- The Annual Report which is distributed to shareholders;
- The Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- The Half-Yearly Directors' and Financial reports and the Quarterly and Monthly Cash Flow Reports;
- Other Announcements made in accordance with ASX Listing Rules.

The Company's reports and ASX announcements may be viewed and downloaded its website: [www.fastscout.com](http://www.fastscout.com) or the ASX website: [www.asx.com.au](http://www.asx.com.au) under ASX code "FSL".

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated	Company	
		Entity	2003	2002
		2003	2003	2002
		\$	\$	\$
Sales revenue	2	22,525	-	1,595
Cost of sales	2	(17,500)	-	(600)
<b>Gross Profit</b>		5,025	-	995
Other revenue from ordinary activities	2	110,105	109,905	165,444
Non-operating revenue	2	43	43	13,991
Classification works costs	2	(1,168,613)	(1,168,613)	(241,376)
Occupancy costs	2	(33,509)	(33,509)	(29,809)
Finance costs	2	(3,259)	(2,266)	(2,162)
Borrowing costs	2	(200)	(200)	(64)
Corporate costs - Diminution in share investments	2	(17,769)	(218,893)	(748,582)
Corporate costs - Portal Technology amortisation	2	(192,445)	(192,446)	(8,859,245)
Corporate costs - others	2	(376,624)	(408,375)	(837,383)
Administration costs	2	(162,969)	(148,436)	(113,640)
Equity share of Associate net losses	2 & 12	(254,271)	-	(58,913)
Write back of provision for diminution in value of investment in Associate	2 & 12	418,964	418,964	-
<b>Loss from ordinary activities before income tax expense</b>		(1,675,522)	(1,643,826)	(10,710,744)
Income tax expense relating to ordinary activities	4	-	-	-
<b>Net loss attributable to members of the company</b>	17	(1,675,522)	(1,643,826)	(10,710,744)
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		(1,675,522)	(1,643,826)	(10,710,744)
<b>Earnings per share</b>				
Basic (cents per share)	18	(2.05)	(2.01)	(12.56)

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

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

	Note	Consolidated	Company	
		Entity	2003	2002
		2003	2003	2002
		\$	\$	\$
Cash	22(b)	1,695,962	1,692,619	2,707,393
Receivables	7	49,433	31,225	109,744
Other	8	579	579	35,768
<b>TOTAL CURRENT ASSETS</b>		<b>1,745,974</b>	<b>1,724,423</b>	<b>2,852,905</b>
<b>NON CURRENT ASSETS</b>				
Receivables	9	14,266	14,266	13,776
Property, plant and equipment	10	76,132	76,132	94,923
Other financial assets	11	213,770	972,883	28,943
Investments accounted for using equity method	12	705,866	-	541,173
Portal technology:				
Prepaid classification works	13	167,810	167,810	1,216,950
Other development works	13	706,072	706,072	783,050
<b>TOTAL NON CURRENT ASSETS</b>		<b>1,883,916</b>	<b>1,937,163</b>	<b>2,678,815</b>
<b>TOTAL ASSETS</b>		<b>3,629,890</b>	<b>3,661,586</b>	<b>5,531,720</b>
<b>CURRENT LIABILITIES</b>				
Payables	14	107,339	107,339	335,060
Provisions	15	2,190	2,190	988
<b>TOTAL CURRENT LIABILITIES</b>		<b>109,529</b>	<b>109,529</b>	<b>336,048</b>
<b>NET ASSETS</b>		<b>3,520,361</b>	<b>3,552,057</b>	<b>5,195,672</b>
<b>EQUITY</b>				
Contributed Equity	16	16,414,372	16,414,372	16,414,161
Accumulated losses	17	(12,894,011)	(12,862,315)	(11,218,489)
<b>TOTAL EQUITY</b>		<b>3,520,361</b>	<b>3,552,057</b>	<b>5,195,672</b>

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

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2003

	Note	Consolidated	Company	
		Entity	2003	2002
		2003	2003	2002
		\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers		5,998	-	1,755
Payments to suppliers and employees		(923,470)	(920,516)	(816,537)
Interest received		116,300	116,101	161,741
Interest paid		(200)	(200)	(64)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	22 (a)	<b>(801,372)</b>	<b>(804,615)</b>	<b>(653,105)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for plant & equipment		(7,506)	(7,506)	(26,027)
Proceeds from sale of equipment		43	43	-
Payments for portal technology development works		-	-	(393,504)
Payments for investments in listed securities		(202,596)	(202,596)	(912,110)
Payments for investment in subsidiary		-	(100)	-
Payments for other investments		-	-	(115,500)
Proceeds from sale of investments		-	-	13,991
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>		<b>(210,059)</b>	<b>(210,159)</b>	<b>(1,433,150)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment for share buy back		-	-	(64,575)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>	<b>(64,575)</b>
<b>NET INCREASE/(DECREASE) IN CASH ASSETS HELD</b>				
		(1,011,431)	(1,014,774)	(2,150,830)
Add opening cash assets brought forward		2,707,393	2,707,393	4,858,223
<b>CLOSING CASH ASSETS AT END OF YEAR</b>	22(b)	<b>1,695,962</b>	<b>1,692,619</b>	<b>2,707,393</b>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 1. SUMMARY OF ACCOUNTING POLICIES

#### Financial Reporting Framework

The Financial Report is a general purpose Financial Report, which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

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

#### Significant Accounting Policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the Financial Report:

#### 1.1 Accounts Payable

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

#### 1.2 Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

#### 1.3 Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. The depreciable amount of all fixed assets is depreciated over their expected useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of such improvements. The depreciation rate and depreciation method adopted for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Plant and Equipment		
- Acquired before 1 July 1999	13-27%	Straight Line
- Acquired after 30 June 1999	15-50%	Diminishing Value
Leasehold Improvements	15%	Diminishing Value

#### 1.4 Earnings per Share

##### (i) Basic Earnings per Share

Basic earnings per share is determined by dividing the operating result after income tax by the weighted average number of ordinary shares on issue during the financial year.

##### (ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

#### 1.5 Employee Entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave ("employee entitlements") when it is probable that settlement will be required and they are capable of being measured reliably. Employee entitlements are expected to be settled within one year and have been measured at their nominal amount. Superannuation contributions are made by the Company in accordance with statutory obligations and are charged as expenses when incurred.

#### 1.6 Financial Instruments Issued by the Company

##### (i) Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

##### (ii) Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 1.7 Foreign Currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date.

### 1.8 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) Where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO), it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross GST basis. The GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### 1.9 Income Tax

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable. Future income tax benefits in relation to timing differences are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

### 1.10 Investments

Investments in controlled entities are recorded at cost. Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Other listed investments are recorded at cost, with appropriate provision made to reflect market value.

### 1.11 Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts.

### 1.12 Recoverable Amount of Non-Current Assets

The carrying amount of non-current assets are reviewed annually to determine whether they are in excess of the recoverable amount. If the carrying value of a non-current asset exceeds its recoverable amount, the asset is written down to the lower value. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

### 1.13 Research and Development Costs

Research and development costs are recognised as an expense when incurred, except to the extent that such costs, together with unamortised deferred costs in relation to that project, are expected, beyond any reasonable doubt, to be recoverable.

### 1.14 Classification Works

Classification works will be amortised over a 5 year period in which the corresponding benefits are expected to arise, commencing with the commercial application of the asset. The unamortised amount is reviewed annually to determine whether it is in excess of the recoverable amount. If the carrying value of the intellectual property exceeds its recoverable amount, the asset is written down to the lower value.

### 1.15 Revenue Recognition

#### (i) Disposal of assets

Revenue is recognised when the Company has passed control of the goods or other assets to the buyer.

#### (ii) Interest revenue

Revenue is recognised on an accrual basis.

#### (iii) Other revenue

Other revenue is recognised on a receipts basis.

### 1.16 Comparative Amounts

The Consolidated Entity has adopted the presentation and disclosure requirements of Accounting Standard AASB 1044 "Provisions, Contingent Liabilities, and Contingent Assets" in the preparation of this financial report. Comparative amounts have been reclassified in order to comply with the new presentation format. The reclassification of comparative amounts has not resulted in a change to the aggregate amounts of current assets, non-current assets, current liabilities, non-current liabilities or equity, or the net profit/loss of the company or Consolidated Entity as reported in the prior year financial report.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 2. LOSS FROM ORDINARY ACTIVITIES

The operating loss from ordinary activities before income tax includes the following items of revenue and expense:

	Consolidated	Company	
	Entity	2003	2002
	2003	2003	2002
	\$	\$	\$
<b>(a) Operating revenue</b>			
<b>Sales revenue</b>			
Virtual Web	22,525	-	1,595
<b>Other revenue</b>			
Interest received - other	110,105	109,905	165,444
	<b>132,630</b>	<b>109,905</b>	<b>167,039</b>
<b>(b) Non-operating revenue</b>			
Proceeds from sale of assets	43	43	-
Proceeds from sale of investments	-	-	13,991
	<b>43</b>	<b>43</b>	<b>13,991</b>
<b>Total revenue</b>	<b>132,673</b>	<b>109,948</b>	<b>181,030</b>
<b>(c) Expenses</b>			
<b>Cost of sales</b>	17,500	-	600
<b>Operating expenses</b>			
Classification works	1,168,613	1,168,613	241,376
Occupancy costs	33,509	33,509	29,809
Finance costs	3,259	2,266	2,162
Borrowing costs - interest paid	200	200	64
Administration costs			
Communications	20,505	20,505	25,648
Consultancy fees	142,464	127,931	87,992
Corporate costs			
Takeover and related matters	(47,107)	(47,107)	306,904
Professional fees	31,077	31,077	13,064
Cost of shares sold	-	-	21,693
Cost of assets sold	84	84	-
Depreciation - property, plant and equipment	26,213	26,213	36,269
Write-off - other investments	-	-	117,000
Personnel costs	259,741	259,741	216,994
Provision for employee entitlements	11,163	11,163	7,287
Provision for diminution - share investments	17,769	218,893	748,582
Provision for non recovery	7,445	39,200	-
Write-down of Portal Technology	192,445	192,446	8,859,245
Other corporate expense	88,008	88,004	118,172
Equity share of Associate's losses	254,271	-	58,913
Write back of provision for diminution in value of investment in Associate	(418,964)	(418,964)	-
	<b>1,808,195</b>	<b>1,753,774</b>	<b>10,891,774</b>

### 3. SALE OF ASSETS

Sale of assets in the ordinary course of business have given rise to the following profits and losses:

<b>(a) Net Gain/(Loss):</b>	Assets	(41)	(41)	-
	Investments	-	-	(7,702)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 4. INCOME TAX EXPENSE

- (a) The prima facie income tax on operating loss is reconciled to the income tax provided in the accounts as follows:

#### Loss from ordinary activities

Income tax expense calculated at 30% (2002:30%) of operating losses.

#### Permanent differences

	Consolidated Entity 2003 \$	Company 2003 \$	2002 \$
	(1,675,522)	(1,643,826)	(10,710,744)
	(502,657)	(493,148)	(3,213,223)
Diminution in investments	5,331	65,668	224,575
Provision for non recovery	2,234	11,760	-
Write-down of Portal Technology	57,734	57,734	2,657,774
Other non-deductible items	(13,012)	(13,012)	77,741
Equity share of Associate's losses	76,281	-	17,674
Write back of provision for diminution in value	(125,689)	-	-
Tax losses not brought to account as future income tax benefits	499,778	370,998	235,459
Income tax expense	-	-	-

- (b) The future benefit of tax benefits have not been brought to account as realisation of the benefit cannot be regarded as virtually certain. These tax benefits will only be obtained if:

- (i) assessable income is derived of a nature and of amount sufficient to enable the benefit from deductions to be realised;
- (ii) conditions for deductibility imposed by the law are complied with; and
- (iii) no changes in taxation legislation adversely affect the realisation of the benefit from deductions.

- (c) The approximate total income tax benefits associated with tax losses not brought to account are \$790,975 (2002: \$291,197).

### 5. REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

#### (a) Directors Remuneration

- (i) Total remuneration paid or payable, or otherwise made available to Directors by the Company

	Consolidated Entity 2003 \$	Company 2003 \$	2002 \$
	207,130	207,130	222,067

The Directors of the Company during the financial year are disclosed in Note 21 of the Financial Statements.

The number of Directors whose remuneration falls within the following bands:

	2003 Number	2002 Number
\$ 10,000 to \$ 19,999	1	2
\$ 30,000 to \$ 39,999	1	1
\$ 50,000 to \$ 59,999	1	1
\$ 100,000 to \$ 109,999	1	1

- (ii) Messrs F Khan and V Ho also received remuneration from Altera Capital Ltd (formerly Bigshop.com.au Ltd) (being a related party within the meaning of Accounting Standard AASB 1017 "Related Party Disclosures"). Such remuneration is not disclosed because it was not in connection with the management of the affairs of the Consolidated Entity.

#### (b) Executive Officers Remuneration

The Company did not have any Executive Officers (other than Executive Directors) during the financial year.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 6. AUDITORS REMUNERATION

Amounts received or due and receivable by the Consolidated Entity's auditors for:

Auditor of the parent entity

Audit and review of financial reports

Other services

Other Auditors

Audit and review of financial reports

Other services

	<b>Consolidated Entity 2003 \$</b>	<b>Company 2003 \$</b>	<b>2002 \$</b>
	9,632	9,632	25,067
	1,800	1,800	-
	<u>11,432</u>	<u>11,432</u>	<u>25,067</u>
	(1,170)	(1,170)	-
	5,673	5,673	-
	<u><u>15,935</u></u>	<u><u>15,935</u></u>	<u><u>25,067</u></u>

### 7. CURRENT RECEIVABLES

Amounts receivable from

Trade debtors

Sundry debtors

Directors and Director Related Entities

Goods and services tax recoverable

Others

	16,527	-	-
	-	-	69,009
	-	-	6,363
	13,540	11,859	15,006
	19,366	19,366	19,366
	<u><u>49,433</u></u>	<u><u>31,225</u></u>	<u><u>109,744</u></u>

### 8. OTHER CURRENT ASSETS

Prepayments

	579	579	35,768
	<u><u>579</u></u>	<u><u>579</u></u>	<u><u>35,768</u></u>

### 9. NON - CURRENT RECEIVABLES

Bonds and guarantees

	14,266	14,266	13,776
	<u><u>14,266</u></u>	<u><u>14,266</u></u>	<u><u>13,776</u></u>

### Consolidated Entity

#### Gross Carrying Amount

Balance at 30 June 2002

Additions

Disposals

Balance at 30 June 2003

	<b>Plant and Equipment \$</b>	<b>Leasehold Improve- ments \$</b>	<b>Total \$</b>
	139,135	21,788	160,923
	7,506	-	7,506
	(109)	-	(109)
	<u><u>146,532</u></u>	<u><u>21,788</u></u>	<u><u>168,320</u></u>

#### Accumulated Depreciation

Balance at 30 June 2002

Depreciation expense

Disposals

Balance at 30 June 2003

	(59,186)	(6,814)	(66,000)
	(23,967)	(2,246)	(26,213)
	25	-	25
	<u><u>(83,128)</u></u>	<u><u>(9,060)</u></u>	<u><u>(92,188)</u></u>

#### Net Book Value

As at 30 June 2002

As at 30 June 2003

	79,949	14,974	94,923
	<u><u>63,404</u></u>	<u><u>12,728</u></u>	<u><u>76,132</u></u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 10. PROPERTY, PLANT AND EQUIPMENT (Cont)

Company	Plant and Equipment	Leasehold Improve- ments	Total
	\$	\$	\$
<b>Gross Carrying Amount</b>			
Balance at 30 June 2002	139,135	21,788	160,923
Additions	7,506	-	7,506
Disposals	(109)	-	(109)
Balance at 30 June 2003	146,532	21,788	168,320
<b>Accumulated Depreciation</b>			
Balance at 30 June 2002	(59,186)	(6,814)	(66,000)
Depreciation expense	(23,967)	(2,246)	(26,213)
Disposals	25	-	25
Balance at 30 June 2003	(83,128)	(9,060)	(92,188)
<b>Net Book Value</b>			
As at 30 June 2002	79,949	14,974	94,923
As at 30 June 2003	63,404	12,728	76,132

Aggregate depreciation during the year is recognised as an expense (refer Note 2 of the Financial Statements).

### 11. OTHER NON-CURRENT FINANCIAL ASSETS

	Consolidated Entity	Company	
	2003	2003	2002
	\$	\$	\$
Investments comprise:			
Shares and options in listed corporations - at cost	489,810	1,779,627	287,215
Shares in private companies - at cost	-	-	54,211
Shares in controlled entities - at cost	-	100	
Less: provision for diminution	(276,040)	(806,844)	(312,483)
	213,770	972,883	28,943
Market value of investments at 30 June 2003:			
Shares in listed companies	218,075	558,125	28,943

#### (a) Investment in Controlled Entities

	Percentage of Ownership	
	2003	2002
Virtual Web Pty Ltd (ABN 12 102 978 370) Incorporated in Western Australia on 28 November 2002. This company is currently engaged in providing the Virtual Web service.	100%	0%
Fast Scout Inc. Incorporated in Delaware, USA, on 17 November 2000. This company is not currently engaged in any activities.	100%	100%

Consolidation of the accounts of Fast Scout Inc. has not been performed because Fast Scout Inc. has not engaged in any activities since incorporation and has no material assets and liabilities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Associate Entity	Principal Activity	Ownership Interest	Consolidated Carrying Amount	
			2003	2002
Altera Capital Ltd (formerly Bigshop.com.au Ltd) ("AEA")	Project management, software development and IT consultancy services and management of its investments	21.74%	\$ 705,866	\$ 541,173

#### Movement in Investments in Associates

Equity accounted amount of investment at the beginning of the financial year	541,173	600,086
Share of losses from ordinary activities before income tax expense	(254,271)	(58,913)
Share of income tax expense related to ordinary activities	-	-
Write back of provision for diminution in value	418,964	-
Equity accounted amount of investment at the end of the financial year	<u>705,866</u>	<u>541,173</u>
Market value as at 30 June 2003	<u>340,049</u>	<u>600,086</u>

AEA was suspended from ASX on 12 June 2003. The last trade on ASX occurred on 12 June 2003 at 1.70 cents per share.

Based on such last closing price of 1.70 cents per share, the value of the Company's investment in AEA as at 30 June 2003 was \$340,049.

Notwithstanding the above, the Directors are of the opinion that the recoverable value of the investment in AEA is at least equal to the carrying value of \$705,866 (or 3.53 cents per share) for the reasons stated below:

- The investment represents 21.74% of AEA's issued share capital and its last traded price (being 18 days before the Balance Date) is not necessarily indicative of the value of such a significant strategic parcel of shares held as a non-current investment;
- The Company's share of the net asset value of AEA at 30 June 2003 was significantly in excess of the last traded ASX price of 1.70 cents per share. As at 30 June 2003, AEA's net tangible asset ("NTA") backing was 4.80 cents per share, valuing the investment at \$960,371;
- AEA has advised that the NTA backing of the company should rise upon the conclusion of its buy-back as the buy-back price of 4.20 cents is likely to be below the NTA backing per share of the company at the time of completion of the buy-back on 17 September 2003.

#### Summarised Financial Position of Associates

	2003	2002
<b>Current assets:</b>	\$	\$
Cash	2,977,525	4,209,613
Receivables	22,593	58,408
Other	2,000	2,000
<b>Non-current assets:</b>		
Property, plant and equipment	33,616	65,889
Other financial assets	10,716	-
Investments equity accounted	2,408,869	-
Others	-	2,905,024
<b>Current liabilities:</b>		
Payables	(1,031,433)	(1,753,888)
Provisions	(5,935)	(65,241)
<b>Net assets</b>	<u>4,417,951</u>	<u>5,421,805</u>
<b>Net losses</b>	<u>(1,169,714)</u>	<u>(1,944,184)</u>

#### Expenditure Commitments

The Consolidated Entity's share of expenditure commitments of its Associate are as follows:

	2003	2002
	\$	\$
<b>Non-cancellable lease commitments</b>		
Not longer than 1 year	4,348	5,217
Longer than 1 year and not longer than 2 years	-	4,348
	<u>4,348</u>	<u>9,565</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

13. PORTAL TECHNOLOGY	Consolidated	Company	
	Entity	2003	2002
	2003	2003	2002
	\$	\$	\$
(a) Prepaid Classification Works	5,560,085	5,560,085	6,493,758
Recoverable Amount Written Down	(5,392,275)	(5,392,275)	(5,276,808)
Total Prepaid Classification Works	167,810	167,810	1,216,950
(b) Portal Technology Development Works:			
(i) Category Works	30,877	30,877	30,877
Recoverable Amount Written Down	(30,877)	(30,877)	(30,877)
	-	-	-
(ii) Portal Delivery System Development Works	156,183	156,183	156,183
Recoverable Amount Written Down	(156,183)	(156,183)	(156,183)
	-	-	-
(iii) Classification Works	4,178,428	4,178,428	4,178,428
Recoverable Amount Written Down	(3,472,356)	(3,472,356)	(3,395,378)
	706,072	706,072	783,050
Total Portal Technology Development Works	706,072	706,072	783,050
<b>Summary of Portal Technology Asset</b>			
Prepaid Classification Works	5,560,085	5,560,085	6,493,758
Category Works	30,877	30,877	30,877
Portal Delivery System Development Works	156,183	156,183	156,183
Classification Works	4,178,428	4,178,428	4,178,428
Accumulated write-downs	(9,051,691)	(9,051,691)	(8,859,246)
Total Portal Technology	873,882	873,882	2,000,000

Pursuant to a Portal Classification Agreement, Data Base Systems Ltd is required to classify a total of 3,146,000 Internet website URL's (over a 5 ½ year period). As advised in the Company's IPO Prospectus dated 12 January 2000, the Company prepaid a portion of such classification costs by the issue of 50,301,800 fully paid ordinary shares at an issue price of 20 cents per share (representing a value of \$10,060,340) and was required to pay a further cash component being \$272,700 for the first 286,000 websites to be classified during the first 6 months from commencement of classification works (which began in November 2000). Thereafter, the Company is required to pay \$2,002,000 cash for the balance of 2,860,000 websites to be classified over the subsequent 60 month period (at a rate of \$0.70 per website URL classified).

All Classification, Category and Portal Delivery System development costs incurred up to the launch of the Fast Scout Portal and Virtual Web service on 9 April 2002 were capitalised as an asset. Thereafter, all such costs are expensed as incurred.

During the financial year, the Company received a total of 291,973 (2002: 466,984) classified business-related website URL's from Data Base Systems Ltd at a cost of \$1,138,054 (2002: \$1,820,220), comprising:

- (i) \$933,673 drawn-down from prepayments (2002: \$1,493,331); and
- (ii) a cash component of \$204,381 (2002: \$326,889).

The Company incurred total classification works expenses of \$1,168,613 during the financial year, including the above costs.

The Company notes that the commercial Virtual Web service has only been effectively marketed for 12 months (since the appointment of the Sales and Marketing Manager in August 2002) and the Internet sector in which the Company operates is inherently uncertain and that the ultimate recoverability of the Portal Technology assets is highly dependent upon the success of their commercialisation and the generation of sufficient future economic benefits from the same.

In light of such factors and a review of the commercial prospects of the Virtual Web service, the Board has also determined to expense (write-down) the carrying value of its investment in the Portal Technology assets to a combined value of \$873,882 as at 30 June 2003 (31 December 2002: \$1.5m; 30 June 2002: \$2m). The amount written-down (expensed) during the financial year was \$192,446 (2002: \$8,859,246).

(The Board had previously expensed/written-down the value of the Portal Technology to \$1.5m as at the half-year ended 31 December 2002. Accordingly, the movement of (\$1,126,118) between 30 June 2002 and Balance Date balances is as a result of the \$933,673 drawn-down from prepayments during the financial year and a \$192,445 write-down in the recoverable amount of the Portal Technology (inclusive of the write-down to 31 December 2002)).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 14. CURRENT PAYABLES

	Consolidated		Company	
	Entity			
	2003	2003	2002	
	\$	\$	\$	
Trade creditors	2,349	2,349	72,879	
Other creditors and accruals	18,528	18,528	164,453	
Amounts due to Directors and/or Director Related Entities	80,736	80,736	34,216	
Unmarketable parcel trust account	5,726	5,726	63,512	
	<u>107,339</u>	<u>107,339</u>	<u>335,060</u>	

### 15. NON-CURRENT PROVISIONS

Provision for employee entitlements	<u>2,190</u>	<u>2,190</u>	<u>988</u>
Number of employees (including Executive Directors) at Balance Date	<u>5</u>	<u>5</u>	<u>4</u>

### 16. CONTRIBUTED EQUITY

#### (a) Issued and Paid-Up Capital

81,593,281 fully paid ordinary shares (2002: 81,593,281)	<u>16,414,372</u>	<u>16,414,372</u>	<u>16,414,161</u>
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#### No of shares

#### (b) Movement in Ordinary Share Capital

Balance at beginning of financial year	81,593,281	16,414,161	16,478,033
Add: share buy back cost	-	211	(63,872)
Balance at end of financial year	<u>81,593,281</u>	<u>16,414,372</u>	<u>16,414,161</u>

Each fully paid ordinary share carries one vote per share and the right to participate in dividends.

### 17. ACCUMULATED LOSSES

	Consolidated		Company	
	Entity			
	2003	2003	2002	
	\$	\$	\$	
Balance at beginning of the year	(11,218,489)	(11,218,489)	(507,745)	
Net loss	(1,675,522)	(1,643,826)	(10,710,744)	
Balance at end of financial year	<u>(12,894,011)</u>	<u>(12,862,315)</u>	<u>(11,218,489)</u>	

### 18. EARNINGS PER SHARE

	Consolidated		Company	
	Entity			
	2003	2003	2002	
	cents per share			
Basic loss per share (cents)	<u>(2.05)</u>	<u>(2.01)</u>	<u>(12.56)</u>	
Net Loss	<u>(1,675,522)</u>	<u>(1,643,826)</u>	<u>(10,710,744)</u>	
Weighted average number of ordinary shares outstanding during the year used in calculation of basic earnings per share	<u>81,593,281</u>	<u>81,593,281</u>	<u>85,281,479</u>	

Diluted earnings per share has not been disclosed, as it does not show a position which is inferior to basic earnings per share.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 19. EXPENDITURE COMMITMENTS

	Consolidated Entity		Company	
	2003	2003	2003	2002
<b>Cash Contractual Commitments</b>	\$	\$	\$	\$
Not longer than one year	442,581	442,581	380,814	
Longer than one year and not longer than 2 years	442,581	442,581	400,400	
Longer than 2 years and not longer than 5 years	331,935	331,935	640,264	
	<u>1,217,097</u>	<u>1,217,097</u>	<u>1,421,478</u>	

The above cash contractual commitments are pursuant to the Portal Classification Agreement with Data Base Systems Ltd to classify a total of 3,146,000 Internet website URL's over a 5 ½ year period (which commenced in November 2000) at a cash cost of \$0.70 per URL. At the Balance Date, 1,407,290 URL's have been classified. There remains a further 1,738,710 URL's to be classified over the balance of the term of the agreement (scheduled for completion in April 2006). The above cash contractual commitments are based on such balance of classification works at an average rate of ~52,688 website URL's per month. Please refer to Note 13 of the Financial Statements for more details about the nature of the agreement and contractual commitments therein.

The satisfaction of liabilities under the Portal Classification Agreement drawn from prepayments of \$10,060,340 is not included in the above Expenditure Commitments. The Company notes that a significant portion of the Company's original Prepaid Classification Works of \$10,060,340 has been expensed/written-down over the last 2 financial years to only \$167,810 as at Balance Date (2002: \$1,216,950) (as described in Note 13 of the Financial Statements). Accordingly, the expenditure commitments in relation to the satisfaction of liabilities under the Portal Classification Agreement drawn from prepayments are as follows:

#### Contractual Commitments Drawn From Prepayments

	Consolidated Entity		Company	
	2003	2003	2003	2002
	\$	\$	\$	\$
Not longer than one year	167,810	167,810	326,021	
Longer than one year and not longer than 2 years	-	-	342,789	
Longer than 2 years and not longer than 5 years	-	-	548,140	
	<u>167,810</u>	<u>167,810</u>	<u>1,216,950</u>	

### 20. SEGMENT REPORTING

The Consolidated Entity currently operates in the geographical region of Australia within the Internet portal technologies industry.

Segment Revenues & Results	External Revenue		Operating results	
	2003	2002	2003	2002
	\$	\$	\$	\$
Portal Technology	22,525	1,595	(1,432,178)	(9,099,626)
Investments	-	13,991	(224,933)	(932,197)
	<u>22,525</u>	<u>15,586</u>	<u>(1,657,111)</u>	<u>(10,031,823)</u>
Unallocated	110,148	165,444	(18,411)	(678,921)
	<u>132,673</u>	<u>181,030</u>		
Loss from ordinary activities before income tax			(1,675,522)	(10,710,744)
Income tax expense relating to ordinary activities			-	-
Loss from ordinary activities after income tax			<u>(1,675,522)</u>	<u>(10,710,744)</u>

Segment Assets & Liabilities	Assets		Liabilities	
	2003	2002	2003	2002
	\$	\$	\$	\$
Portal Technology	895,433	2,000,000	(80,735)	(126,650)
Investments	919,636	570,116	-	-
	<u>1,815,069</u>	<u>2,570,116</u>	<u>(80,735)</u>	<u>(126,650)</u>
Unallocated	1,814,821	2,961,604	(28,794)	(209,398)
	<u>3,629,890</u>	<u>5,531,720</u>	<u>(109,529)</u>	<u>(336,048)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 20. SEGMENT REPORTING (Cont)

Other Segment Information	Portal Technology		Investments	
	2003	2002	2003	2002
	\$	\$	\$	\$
Carrying value of investments accounted for using the equity method	-	-	705,866	541,173
Share of net losses of associate company accounted for under the equity method	-	-	(254,271)	(58,913)
Acquisition of segment assets	-	1,602,394	(202,596)	1,027,611
Depreciation and amortisation of segment assets	-	26,374	-	-
Other non-cash expenses				
Write down of segment assets	(192,445)	(8,859,245)	-	-
Write off of segment assets	-	-	-	(117,000)
Diminution of segment assets	-	-	(17,769)	(748,582)

### 21. RELATED PARTY TRANSACTIONS

The names of each person holding the position of Director of the Company during the financial year were:

- Farooq Khan
- Azhar Chaudhri
- Victor P. H. Ho
- Yaqoob Khan

#### (a) Directors' Remuneration

Information on the remuneration of Directors is disclosed in Note 5 of the Financial Statements.

#### (b) Directors' Equity Holdings

##### Ordinary Shares

	Fully Paid	
	2003	2002
Issued during the financial year to Directors and their Director Related Entities by the Company	-	-
Redeemed, exercised or bought back during the financial year from Directors and their Director Related Entities by the Company	-	-
Held as at Balance Date by Directors and their Director Related Entities in the Company	53,908,866	53,724,281

Note - the 30 June 2002 balance of shares held by Directors and their Director Related Entities in the Company was understated by 259,585 shares due to a transcription error. The correct balance should be 53,983,866 shares.

#### (c) Transactions with Controlled Entities

During the financial year, the Company incurred operating expenses on behalf of Fast Scout, Inc. (incorporated in the United States), a wholly owned subsidiary of the Company. There was an amount outstanding at the Balance Date by Fast Scout, Inc. Interest is not charged on such outstanding amount.

Entity	Amount Outstanding
	\$
Fast Scout, Inc.	7,445

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 21. RELATED PARTY TRANSACTIONS (Cont)

#### (d) Transactions with Controlling Entity

Data Base Systems Ltd holds a 61.56% interest in the issued fully paid ordinary share capital of the Company at Balance Date (2002:61.65%) and is regarded as a controlling entity of the Company.

##### (i) Contractual Services

During the financial year, Data Base Systems Ltd provided services to the Company pursuant to a Portal Classification Agreement. There was an amount outstanding at Balance Date by the Company. Interest is not charged on such outstanding amount.

Entity	Expenditure	Amount Outstanding
	\$	\$
Data Base Systems Ltd	<u>1,168,613</u>	<u>80,736</u>

#### (e) Transactions with Controlled Entities

##### (i) Debtors

During the financial year, the Company incurred operating expenses on behalf of its subsidiary, Virtual Web Pty Ltd. There was an amount outstanding at Balance Date by Virtual Web Pty Ltd. Interest is not charged on such outstanding amount.

Entity	Amount Outstanding
	\$
Virtual Web Pty Ltd	<u>31,755</u>

#### (f) Transactions with Associates

##### (ii) Services and Creditors

During the financial year, Altera Capital Ltd (formerly Bigshop.com.au Ltd) provided software development, project management and IT consulting services to the Company. There was no amount outstanding at Balance Date by the Company.

Entity	Expenditure	Amount Outstanding
	\$	\$
Altera Capital Ltd (formerly Bigshop.com.au Ltd)	<u>60,593</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 22. STATEMENT TO CASH FLOWS

#### (a) Reconciliation of Loss from Ordinary Activities after Tax to Net Cash Flows from Operations

	Consolidated	Company	
	Entity	2003	2002
	2003	2003	2002
	\$	\$	\$
Operating loss after tax	(1,675,522)	(1,643,826)	(10,710,744)
Depreciation - property, plant & equipment	26,213	26,213	36,269
Classification works	1,168,613	1,168,613	241,376
Loss on sale of investments	-	-	7,702
Loss on sale of assets	41	41	-
Write-off - investments	-	-	117,000
Provision for diminution - share investments	17,769	218,893	748,582
Write-down of Portal Technology	192,445	192,446	8,859,245
Equity share of Associate's losses	254,271	-	58,913
Write back of provision for diminution in value of investment in Associate	(418,964)	(418,964)	-
Decrease/(Increase) in assets:			
Receivables	(194,270)	(176,060)	(12,411)
Other current assets	-	-	(5,405)
Increase in liabilities:			
Trade creditors and accruals	(173,170)	(171,971)	7,263
Provisions	1,202	-	(895)
Net cash outflows from operating activities	<u>(801,372)</u>	<u>(804,615)</u>	<u>(653,105)</u>

#### (b) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash at bank	201,989	198,646	77,337
Bank bills	1,493,973	1,493,973	2,630,056
	<u>1,695,962</u>	<u>1,692,619</u>	<u>2,707,393</u>

### 23. FINANCIAL INSTRUMENTS

#### (a) Interest Rate Risk Exposure

	Average Interest Rate	Variable Interest Rate	Fixed Interest Rate	Non-Interest Bearing	Total
	\$	\$	\$	\$	\$
<b>2003</b>					
<b>Financial assets</b>					
Cash	4.40%	201,989	1,493,973	-	1,695,962
Receivables		-	-	63,699	63,699
Investment in Associates		-	-	705,866	705,866
Shares in listed companies		-	-	213,770	213,770
		<u>201,989</u>	<u>1,493,973</u>	<u>983,335</u>	<u>2,679,297</u>
<b>Financial liabilities</b>					
Payables		-	-	(107,339)	(107,339)
Employee entitlements		-	-	(2,190)	(2,190)
		<u>-</u>	<u>-</u>	<u>(109,529)</u>	<u>(109,529)</u>
<b>Net financial assets</b>		<u>201,989</u>	<u>1,493,973</u>	<u>873,806</u>	<u>2,569,768</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

### 23. FINANCIAL INSTRUMENTS (Cont)

	Average Interest Rate \$	Variable Interest Rate \$	Fixed Interest Rate \$	Non-Interest Bearing \$	Total \$
<b>2002</b>					
<b>Financial assets</b>					
Cash	4.37%	77,337	2,630,056	-	2,707,393
Receivables		-	-	123,520	123,520
Investment in Associates		-	-	541,173	541,173
Shares in listed companies		-	-	28,943	28,943
		<u>77,337</u>	<u>2,630,056</u>	<u>693,636</u>	<u>3,401,029</u>
<b>Financial liabilities</b>					
Payables		-	-	(331,240)	(331,240)
Provisions		-	-	(4,808)	(4,808)
		<u>-</u>	<u>-</u>	<u>(336,048)</u>	<u>(336,048)</u>
<b>Net financial assets</b>		<u>77,337</u>	<u>2,630,056</u>	<u>357,588</u>	<u>3,064,981</u>

#### Reconciliation of net financial assets to net assets

	2003 \$	2002 \$
Net financial assets as above	2,569,768	3,064,981
Non-financial assets and liabilities		
Property, plant and equipment	76,132	94,923
Portal Technology	873,882	2,000,000
Other assets	579	35,768
	<u>3,520,361</u>	<u>5,195,672</u>

#### (b) Credit Risk Exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with credit-worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

The Company does not have any significant credit risk exposure to any single counterparty or any group counterparties having similar characteristics.

The carrying amount of financial assets recorded in the Financial Statements represents the Company's maximum exposure to credit risk without taking account of the value of collateral or other security obtained.

#### (c) Net Fair Value of Financial Assets and Liabilities

The carrying amount of financial assets and financial liabilities recorded in the Financial Statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

### 24. CONTINGENT LIABILITIES AND ASSETS

The Consolidated Entity does not have any contingent assets or liabilities, save for commitments pursuant to the Portal Classification Agreement disclosed in Note 13 of the Financial Statements.

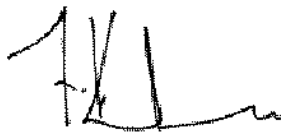
## DIRECTORS' DECLARATION

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The Directors declare that:

- (1) The attached financial statements and notes thereto comply with accounting standards;
- (2) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and of the Consolidated Entity;
- (3) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporation Act 2001; and
- (4) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.



Farooq Khan  
Executive Chairman



Victor Ho  
Executive Director

Perth, Western Australia

11 September 2003



## STANTON PARTNERS

1 HAVELOCK STREET  
WEST PERTH 6005  
WESTERN AUSTRALIA

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### INDEPENDENT AUDIT REPORT

#### TO THE MEMBERS OF FAST SCOUT LIMITED

#### SCOPE

We have audited the financial report of Fast Scout Limited (the Company) for the financial year ended 30 June 2003 as set out on pages 14 to 31. The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

## **AUDIT OPINION**

In our opinion the financial report of Fast Scout Limited is in accordance with:



- a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

## **Inherent Uncertainty**

Without qualification to the opinion expressed above, attention is drawn to the following matter.

Included in the Statement of Financial Position are amounts of \$706,072 and \$167,810 in respect of Portal Technology Development Works and Prepaid Classification Works. There is inherent uncertainty as to the recoverability of these amounts. The recoverability of these amounts is dependant upon the successful commercialisation of the Portal Technology and the generation of sufficient future economic benefits.

## **STANTON PARTNERS**



**J P Van Dieren**  
**Partner**

West Perth, Western Australia  
12 September 2003

## STOCK EXCHANGE INFORMATION

### as at 3 September 2003

#### DISTRIBUTION OF ORDINARY FULLY PAID SHARES

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	1,000	5	1,460	0.001
1,001	-	5,000	137	486,789	0.596
5,001	-	10,000	250	2,298,667	2.817
10,001	-	100,000	445	14,322,844	17.553
100,001	-	and over	46	64,483,521	79.030
Total			883	81,593,281	100

50,226,700 shares are issued to Data Base Systems Ltd (61.557% of total issued capital). 10,060,340 shares are subject to the ASX escrow provisions and may not be quoted on the ASX until expiry of the escrow period on 7 March 2004.

#### Marketable Parcel

Spread	of	Holdings	Number of Holders	Number of Units	% of Total Issue Capital
1	-	19,230	490	4,314,292	5.287
19,231	-	over	393	77,278,989	9.712
Total			883	81,593,281	100

An unmarketable parcel is considered, for the purposes of the above table, to be a shareholding valued at \$500 or less in total, based upon the Company's closing share price on 3 September 2003 of 2.60 cents per share.

#### VOTING RIGHTS

Fully paid ordinary shares have one vote per share.

#### SUBSTANTIAL SHAREHOLDERS

Shareholder Shareholder	Registered Holder	Fully Paid Ordinary Shares	% Voting Power
Data Base Systems Limited	Data Base Systems Limited	50,226,700	61.557
Ambreen Chaudhri	Data Base Systems Limited	50,226,700	61.557
Russell Grewe	Data Base Systems Limited	50,226,700	61.557
Azhar Chaudhri and Renmuir Holdings Ltd	Data Base Systems Limited	50,226,700	64.630
	Renmuir Holdings Ltd	2,507,501	
	Azhar Chaudhri	20	

## STOCK EXCHANGE INFORMATION

### as at 3 September 2003

#### TOP TWENTY ORDINARY FULLY PAID SHAREHOLDERS

Rank	Shareholder	Total Units	% Issued Capital
1	DATA BASE SYSTEMS LIMITED	50,226,700	61.557
2	RENMUIR HOLDINGS LTD	2,507,501	3.073
3	KATANA CAPITAL PTY LTD	1,669,429	2.046
4	MANAR NOMINEES PTY LTD	946,815	1.160
5	DR PETER JOHN CARROLL	636,000	0.779
6	PEE-JAY (TAM) PTY LTD & JARRAH (TAM) PTY LTD	619,558	0.759
7	REMJAY INVESTMENTS PTY LTD	600,000	0.735
8	MR AYUB KHAN (MR MOHAMMED AYUB KHAN)	450,000	0.551
9	MR PHILLIP NICOLAOU & MRS NATALIE LUCIANA NICOLAOU	400,000	0.490
10	MRS AFIA KHAN	350,020	0.428
11	MRS NADIA SANCHEZ	350,000	0.428
12	MR KIM PHIN CHONG	305,000	0.373
13	MR ABE ZELWER	300,000	0.367
14	MR DANIEL TROYAK	290,336	0.355
15	MR IANAKI SEMERDZIEV	280,000	0.343
16	MS PATRICIA BETH BAUDINET	286,500	0.350
17	MR AYAZ KHAN	250,000	0.306
18	BB NOMINEES PTY LTD	250,000	0.306
19	MR JAY DEAN GILLETT & MRS JACQUELINE ANNE GILLETT	250,000	0.306
20	ROSEMONT ASSET PTY LTD	219,000	0.268
<b>Total</b>		<b>61,186,859</b>	<b>74.98</b>

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