



FAST SCOUT LIMITED

ABN 94 088 488 724

FULL YEAR REPORTS:

**ASX Appendix 4E Preliminary Final Report
Directors' Report
Financial Report
Audit Report**

30 June 2004

www.fastscout.com

FAST SCOUT LIMITED

A.B.N. 94 088 488 724



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info@fastscout.com

CORPORATE DIRECTORY

BOARD

Farooq Khan	Chairman and Managing Director
Azhar Chaudhri	Executive Director
Yaqoob Khan	Executive Director
Victor P H Ho	Executive Director

COMPANY SECRETARY

Victor P H Ho

PRINCIPAL & REGISTERED OFFICE

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SHARE REGISTRY

Advanced Share Registry Services
Level 7, 200 Adelaide Terrace
Perth Western Australia 6000

Telephone: +61 8 9221 7288

Facsimile: +61 8 9221 7869

STOCK EXCHANGE

Australian Stock Exchange
Perth, Western Australia

ASX CODE

FSL

AUDITORS

Stanton Partners
1 Havelock Street
West Perth
Perth Western Australia 6005

BANKER

National Australia Bank
Level 1, 50 St Georges Terrace
Perth Western Australia 6000

APPENDIX 4E PRELIMINARY FINAL REPORT

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A

Current Reporting Period: Financial year ended year ended 30 June 2004

Previous Corresponding Period: Financial year ended year ended 30 June 2003

Balance Date: 30 June 2004

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Consolidated Entity	2004	2003	% Change	Up / Down
Revenues from ordinary activities	\$105,719	\$132,630	(20.29%)	Down
Loss from ordinary activities after tax attributable to members	(\$1,592,375)	(\$1,675,522)	4.96%	Up
Loss before tax for the period attributable to members	(\$1,592,375)	(\$1,675,522)	4.96%	Up
Basic and Diluted Loss per share (cents)	(1.95)	(2.05)	4.96%	Up
Net Tangible Asset Backing per share (cents)	2.29	3.24	(29.27%)	Down

Dividends

No dividends have been paid or declared during the financial year. The Company is not in a position to pay a final dividend for the year ended 30 June 2004.

Brief Explanation of Results

During the financial year, the Company received a total of 255,697 (2003:291,973) classified business-related website URL's from Data Base Systems Limited at a cost of \$971,911 (2003: \$1,138,054), comprising:

- (i) a cash component of \$154,243 (2003: \$204,381); and
- (ii) \$817,667 (2003: \$933,673) drawn-down from prepayments of \$10,060,340.

The Company incurred total Portal Technology classification and development works expenses of \$1,027,147 (2003: \$1,168,613) during the financial year, including the above classification costs.

The Company also incurred development costs associated with its Virtual Web Internet filtering and monitoring software and related website during the financial year of \$100,435 (2003: nil) which has been capitalised but written down (expensed) to a carrying value of \$nil at Balance Date.

The Company notes that the value of its investment in the Portal Technology assets at Balance Date comprising Prepaid Classification Works and Classification Works has been written down (expensed) to a carrying value of \$56,214 (2003: \$873,882).

Fast Scout has accounted for its 32.25% interest in ASX listed Altera Capital Limited ABN 55 082 541 437 (formerly Bigshop.com.au Ltd) ("**Altera Capital**") 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." The Consolidated Entity expensed \$391,756 losses attributable to its Associate, Altera Capital (2003: (\$254,271)).

Please also refer to the attached financial statements for the year ended 30 June 2004 and notes thereto.

APPENDIX 4E PRELIMINARY FINAL REPORT

COMMENTARY ON RESULTS AND OTHER SIGNIFICANT INFORMATION

Please refer to the attached Directors' Report and financial statements and notes thereto.

STATUS OF AUDIT

This Preliminary Final Report is based on accounts to which one of the following applies:

- The accounts have been audited.
- The accounts are in the process of being audited or subject to review.
- The accounts have been subject to review.
- The accounts have not been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review

Not Applicable

For and on behalf of the Directors,



Victor Ho
Company Secretary

Date: 31 August 2004

Telephone: +61 8 9214 9700
Email: info@fastscout.com

DIRECTORS' REPORT

The Directors present their report on Fast Scout Limited (“**Company**” or “**Fast Scout**” or “**FSL**”) and its controlled entities (the “**Consolidated Entity**”) for the financial year ended 30 June 2004 (“**Balance Date**”).

Fast Scout is a company limited by shares that is incorporated and domiciled in Western Australia and has been listed on the Australian Stock Exchange (“**ASX**”) since 7 March 2000.

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 throughout the financial year) and Fast Scout, Inc. (controlled throughout the financial year until its de-registration on 27 April 2004).

Fast Scout has also accounted for its 32.25% interest in ASX listed Altera Capital Limited ABN 55 082 541 437 (formerly Bigshop.com.au Ltd) (“**Altera Capital**” or “**AEA**”) 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 its Virtual Web Internet filtering and monitoring software solution, the pursuit of other Internet technologies and the management of its investments.

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 Directors' Report or the financial statements or notes thereto.

OPERATING RESULTS

	Consolidated	
	2004	2003
Net loss	(\$1,592,375)	(\$1,675,522)

LOSS PER SHARE

	Consolidated	
	2004	2003
Basic loss per share (cents)	(1.95)	(2.05)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share	81,593,281	81,593,281

NET TANGIBLE ASSET BACKING

	Consolidated	
	2004	2003
Net assets	\$1,927,986	\$3,520,361
Less intangible assets::		
Portal Technologies		
Prepaid classification works	-	(\$167,810)
Portal development works	(\$56,214)	(\$706,072)
Other	(\$2,070)	-
Net tangible assets	<u>\$1,869,702</u>	<u>\$2,646,479</u>
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)	<u>2.29</u>	<u>3.24</u>

DIRECTORS' REPORT

DIVIDENDS

No dividends have been paid or declared during the financial year. The Company is not in a position to recommend the payment of a dividend in respect of the financial year.

REVIEW OF OPERATIONS

1. VIRTUAL WEB INTERNET FILTERING AND MONITORING SOLUTION

Virtual Web is an Employee Internet Management (“EIM”) service which originally, was developed as a private subset of the Internet, containing websites that had been manually qualified against pre-determined criteria. This allowed Internet users to access only appropriate business-related websites verified by the Company’s Web Classification Editors. Virtual Web currently allows pre-configured modes of access to a continually expanding database of millions of business-related web pages and general government and education websites.

Fast Scout’s Virtual Web for Microsoft ISA Server 2000 is designed as a plug-in application that enhances and adds to the security features of ISA Server 2000 to allow organisations to more effectively control and monitor their Internet access. Microsoft ISA Server 2000 is an enterprise firewall and Web cache designed to help provide secure, fast, and manageable Internet connectivity and is widely used by organisations around the world.

Fast Scout has also teamed up with another Australian public listed company, WebSpy Limited, to add comprehensive monitoring and reporting functionality to 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; and
- 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 a secure and cost effective means of protecting students on the Internet.

Further information about Virtual Web may be obtained from: www.virtualweb.com.au

DIRECTORS' REPORT

1.1 Virtual Web Development

Virtual Web was originally offered on a Linux 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 believed it was 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 considered 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 therefore embarked on the development and commercialisation of downloadable versions of Virtual Web that can be installed on customers' Microsoft Internet Security and Acceleration (ISA) Server platforms - 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 has developed a secure means of encrypting this list.

Since its release in February 2004, Virtual Web for Microsoft ISA Server 2000 has now been successfully installed in a number of customer sites. Prospective customers from anywhere in the world can now download a free, fully functioning evaluation copy of Fast Scout's Virtual Web software from the Virtual Web website (www.virtualweb.com.au) and install it within minutes.

The functionality of Virtual Web has also been extended considerably from earlier releases - Virtual Web for ISA Server 2000 now comes pre-configured with three different access modes:

- **Lockdown mode**, which is the most secure in that it allows access only to web sites that have been pre-approved;
- **Preview mode**, which warns users each time they are about to access a website that has not yet been pre-approved; and
- **Protected mode**, which allows users greater freedom, blocking access only to known objectionable or inappropriate websites.

In relation to ongoing classification works performed by Data Base Systems Limited ("**Data Base**") pursuant to the Portal Classification Agreement, the Company has advised Data Base to focus its classification works on providing manually classified websites for inclusion in Virtual Web, including, as a consequence of the increasing interest from the education sector, identifying and classifying further educational websites, in order to increase the utility of the Virtual Web service in this market. Since the ISA Server version of Virtual Web also includes functionality that directly blocks access to known objectionable websites, some classification resources have also been redirected to classify known objectionable websites.

Fast Scout has also teamed up with ASX listed WebSpy Ltd ("**WebSpy**"), to add comprehensive monitoring and reporting functionality to Virtual Web.

1.2 Microsoft Certified Partner Status

The Company is pleased to announce that in January 2004, it received Microsoft Certified Partner (MCP) Status. The Company has over the past year developed a valuable relationship with Microsoft, as it has worked to develop Virtual Web to run on Microsoft's ISA Server platform. Attaining MCP status required the Company to submit its software for stringent independent testing, in order to comply with the requirements of Microsoft's international MCP programme. Testing was completed in December 2003 and Fast Scout received confirmation of its MCP status for Virtual Web in January 2004.

The Virtual Web product is currently being shown on Microsoft's website as an ISA Server Partner: <http://www.microsoft.com/isaserver/partners/accesscontrol.asp>

The Company expects to receive direct benefits from its relationship with Microsoft, in particular in the area of marketing and technical support. Traffic to the www.virtualweb.com.au website and downloads of the Virtual Web trial version has increased significantly as a direct result of Fast Scout's Microsoft Certified Partner status and promotion on Microsoft's ISA Server Partner website.

DIRECTORS' REPORT

1.3 Commercialisation of Virtual Web

With the Virtual Web ISA Server software being able to be downloaded over the Internet and installed and trialed relatively quickly and easily, during the financial year, the Company initiated a number of online marketing initiatives to promote Virtual Web using the Internet.

The Company experienced growth in daily visitors to its website and downloads of trial versions of its Virtual Web software particularly after Microsoft ISA Server 2000 partner accreditation was received in February 2004.

Fast Scout also introduced Virtual Web to key world markets through its relationship with WebSpy, who have dedicated distribution and sales channels in the United States and the United Kingdom and recorded sales in the United States, Canada, England and Belgium. In July 2004, the Company formally appointed WebSpy as a worldwide reseller for Virtual Web.

The Company is also pursuing relationships with other distribution partners who might assist with the marketing and sales of Virtual Web within Australia and internationally.

In May 2004, Fast Scout was an exhibitor at the CeBIT Australia 2004 technology exhibition in Sydney. The CeBIT exhibition is one of Australia's largest technology shows and proved an ideal opportunity to showcase Fast Scout's innovative Virtual Web software.

The Company remains cautious about preserving its cash reserves and will continue to monitor its sales and marketing activity to ensure an appropriate balance between revenues and expenditure.

1.4 Portal Classification Agreement

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).

The Company has received a net total of 1,662,987 classified business-related website URL's from Data Base in respect of classification works performed up to 30 June 2004.

As at 30 June 2004, the outstanding matters pursuant to the Portal Classification Agreement with Data Base may be summarised as follows:

Balance of website URL's to be classified by Data Base	1,483,013
Term Outstanding (to April 2006)	22 months
Balance of Cash component payable by Company	\$1,038,109
Balance of Outstanding Prepaid Shares	23,712,039
Value of Outstanding Prepaid Shares @ Issue Price	\$4,742,407

The Company is mindful of its capital position in relation to the commercial advancement of Virtual Web relative to its capacity to fund such advancement.

The Company believes that given the significant size of classified business-related website URL's already provided under the Portal Classification Agreement, that it is appropriate to review the commercial benefits to be received by the further classification of website URL's from Data Base versus the costs to the Company of doing so.

In this regard the Company confirms it is currently in discussions with Data Base with respect to the Portal Classification Agreement with a view to either re-negotiating its terms or seeking a mutually acceptable early termination.

DIRECTORS' REPORT

The Company notes that any proposed alteration or early termination of such agreement will be put to shareholders as a director-related party matter at which Data Base will be excluded from voting. Furthermore, an independent expert's report will also be commissioned for inclusion in the notice of meeting documentation to assess whether the proposal with Data Base is fair and reasonable to the unassociated shareholders of Fast Scout.

2. "AGGREGATION" STRATEGY

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 at least \$15 million.

This capital base of \$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 in an existing "lead" company or to a new "master" company or via a scheme of arrangement or merger between participating companies. Alternatively, an existing participating company may be used as the "lead" vehicle in terms of the aggregation process.

In this regard, the Board is considering the Company as a participating company in relation to the aggregation of its funds into another "lead" or "master" company. This consideration will only be implemented if and when the Board believes the Internet base commercial operations of the Company shall be discontinued.

The aggregation process in such scenario may involve:

- The Company (along with other participating companies) effecting a "transfer" of available net tangible assets ("NTA") to the "master" company in exchange for shares in the "master" company (priced at the "master" company's NTA backing per share);
- The participating companies would effect a capital return to its shareholders via an in-specie distribution of the "master" company's shares;
- Such participating companies' shareholders would then become shareholders of the "master" company but will retain their existing shareholdings in their respective companies (at reduced NTA backing per share);
- The "master" company's NTA would be expanded by the contributions of the NTA of the participating companies – this is with the aim of achieving a minimum capital base of \$15m (referred to earlier);
- Such contributions or transfer of NTA's by participating companies may comprise cash or liquid investments (valued in turn at NTA backing or market as is appropriate);
- In relation to contributions by way of liquid investments, the "transfer" of NTA or market value may involve a share acquisition agreement between the "master" company and a relevant participating company;
- Alternatively, and also in relation to contributions of cash, the "transfer" of NTA value from participating companies to the "master" company may be pursuant to a specific share placement or wider capital raising undertaken by the "master" company;
- Post aggregation, the balance sheet of the "master" company would comprise its existing pre-aggregation assets and the NTA contributed by the participating companies, being a combination of cash and liquid investments;
- In all of the above "transfer" scenarios, the "master" company would value the shares it would issue at the NTA backing of the company and likewise, each of the participating companies would value their contribution of liquid investments at NTA backing or market value as is appropriate – so as to ensure that there is no or minimal "value shift" as between the companies; and

DIRECTORS' REPORT

- The Company's shareholders would thus have a shareholding in the "master" company in proportion to the Company's contribution (valued at NTA or appropriate market value of liquid assets) into the "master" company and retain their existing shareholding in the Company (which will have a reduced NTA backing post "aggregation").

The final proposed aggregation strategy will be subject to compliance with the Corporations Act and the ASX Listing Rules and a general meeting will be required to consider and approve such "aggregation" process and other matters arising from or incidental to such process.

Pending the announcement of an appropriate "aggregation" strategy, the Board has continued its Internet technologies commercial endeavours and has also sought 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 with the view to securing a return beyond what would be provided from investing merely in bank bills or cash deposits, pending the finalising of the "aggregation" process referred to above. Investments will be acquired either on the basis that they are currently undervalued or present the opportunity for superior capital growth.

3. CORPORATE

3.1. Altera Capital Limited (AEA)

The Company currently holds 20,002,860 shares (32.253%) in Altera Capital Limited ("**AEA**") being the largest shareholding in the company, acquired at a total cost of \$1,289,816.

AEA has been suspended from ASX since 13 June 2003 and has advised that its suspension will continue until the company fully re-complies with the ASX Listing Rules.

AEA's major asset is 36,273,262 shares (81.26%) in ASX listed Sofcom Limited ("**SOF**").

SOF's major assets are 7,074,734 shares (18.167%) in ASX listed Bentley International Limited ("**BEL**") and 3,400,000 shares (3.389%) in Rivkin Financial Services Limited ("**RFS**").

Shareholders are advised to refer to the 2004 Annual Reports and ASX market announcements lodged by AEA, SOF, BEL and RFS for further information about the current status and affairs of such companies.

3.2. Rivkin Financial Services Limited (RFS)

In June 2004, Fast Scout undertook an investment in RFS. Fast Scout currently has 908,471 shares (0.91%) in RFS acquired at a total cost of \$ 219,393.

On 14 July 2004, RFS commenced proceedings in the Federal Court of Australia in Sydney against SOF, FSL and AEA.

The proceedings relate to a Memorandum of Understanding ("**MOU**") entered into between SOF, FSL and AEA on 30 June 2004 to record the terms of their common desire to exercise their rights as individual shareholders of RFS as one collective "bloc" and the requisition served on RFS by SOF, FSL and AEA on 5 July 2004 requesting the directors of RFS call a general meeting of members to seek various changes to the board of RFS.

The allegation made against each of SOF, FSL and AEA is that the purchase of shares by each of the three companies in RFS in the period 22 June 2004 to 29 June 2004 (comprising the companies' initial substantial shareholding in RFS as disclosed in the notice for the same lodged on 30 June 2004) was allegedly contrary to the insider trading provisions of the Corporations Act. What is alleged by RFS is that each of the three companies knew the terms of the MOU and that such knowledge of each others intention constituted insider trading. There is no allegation that any of SOF, FSL or AEA knew or relied upon any information from any third party or RFS concerning the affairs of RFS.

On 2 August 2004, SOF, FSL and AEA filed a Defence denying any breach of the insider trading provisions of the Corporations Act.

DIRECTORS' REPORT

On 4 August 2004, SOF, FSL and AEA filed a Cross-Claim seeking orders against each of RFS, Network Limited, Cole Kablo Superannuation Pty Ltd, Alan Davis Group Pty Ltd and Alan Andrew Davis in relation to the affairs of RFS out of several transactions – the acquisition of the Rene Rivkin holding in RFS by Alan Davis Group on 17 June 2004 and the transactions announced by RFS and Network on 2 July 2004 concerning RFS, Network and Cole Kablo:

- A declaration that Sofcom, Fast Scout and Altera Capital's request dated 5 July 2004 to the Directors of RFS to call a general meeting was valid;
- An order that RFS discontinue its claims against Sofcom, Fast Scout and Altera Capital;
- Orders directing the disposal of the RFS shareholdings of Alan Davis Group, Network and Cole Kablo, or alternatively that those shares be vested in ASIC;
- Alternatively an order that RFS buy back the shares issued by it to Network and Cole Kablo at the price for which they were issued and that RFS sell the shares held by it in Network to fund such purchase;
- An order that Alan Andrew Davis resign as a Director of RFS.

The proceedings are listed for further directions on 8 October 2004 and for a final hearing commencing on 25 October 2004.

The collective shareholding of SOF, FSL and AEA in RFS currently totals 5,058,471 shares (5.043%).

3.3. Adoption of New Constitution

At the Company's 2003 Annual General Meeting on 28 November 2003, shareholders approved a special resolution adopting a new constitution. Such new constitution is consistent with changes to the law introduced by the *Corporate Law Economic Reform Program Act 1999* (Cth), the *Corporations Act 2001* (Cth) and the ASX Listing Rules.

SECURITIES IN THE COMPANY

At the date of this report, there were 81,593,281 fully paid ordinary shares 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.

On 7 March 2004, 10,060,340 shares were released from ASX escrow and were subsequently quoted on ASX. The Company has no other securities on ASX escrow.

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 Consolidated Entity. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity is not subject to any particular or significant environmental regulation under either Commonwealth or State legislation. To the extent that any environmental regulations may have an incidental impact on the Consolidated Entity's operations, the Directors of the Company are not aware of any breach by the Consolidated Entity of those regulations.

DIRECTORS' REPORT

DIRECTORS

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

1. Farooq Khan

Chairman and Managing Director
Aged 42

Mr Khan is a founding Director of the Company. 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 Limited and later, Fast Scout Limited. Mr Khan has extensive experience in the securities industry and the promotion and executive management of ASX listed companies. Mr Khan also has considerable experience in the strategic review of public listed companies, capital raisings and corporate takeovers and restructuring. Mr Khan is also currently Chairman and Managing Director of ASX listed Queste Communications Limited, Altera Capital Limited and Sofcom Limited and Chairman of ASX listed Bentley International Limited.

2. Victor Ho

Executive Director and Company Secretary
Aged 34

Mr Ho has been the Company Secretary since soon after the Company's listing on ASX in March 2000 and was appointed Executive Director in October 2000. Mr Ho holds a Bachelor of Commerce and Bachelor of Law degrees from the University of Western Australia and is a Fellow of the Tax Institute of Australia. Prior to his involvement with the Company, Mr Ho had 9 years experience in the taxation profession with the Australian Tax Office and in a specialist tax law firm. Mr Ho has been actively involved in the structuring and execution of a number of corporate transactions, capital raisings and capital management matters and has extensive experience in public company administration and compliance and shareholder relations. Mr Ho is also currently in executive roles with public listed companies as Executive Director and Company Secretary of Central Exchange Limited, Altera Capital Limited and Sofcom Limited and as Company Secretary of Queste Communications Limited and Bentley International Limited.

3. Azhar Chaudhri

Executive Director
Age 42

Mr Chaudhri is a founding Director of the Company. 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 also a Director of ASX listed Queste Communications Limited.

4. Yaqoob Khan

Executive Director
Age 39

Mr Khan is a founding Director of the Company. 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 has been founding Executive Director of 2 ASX floats – Queste Communications Limited in 1998 and Fast Scout Limited in 2000. He was an integral member of the team responsible for the pre-IPO structuring and IPO promotion and has been actively involved in the executive management of such companies since their floats. Mr Khan is also a Director of ASX listed Central Exchange Limited. Mr Khan brings considerable international experience in key aspects of corporate finance, production and strategic marketing.

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

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The following table sets out the numbers of meetings of the Company's Directors held during the financial year (including Directors' circulatory resolutions), and the numbers of meetings attended by each Director of the Company:

Name of Director	Meetings Attended	Maximum Possible Meetings
Farooq Khan	10	10
Victor Ho	10	10
Azhar Chaudhri	10	10
Yaqoob Khan	10	10

There were no meetings of committees of the Board.

Audit Committee

As at the date of this Directors' Report, the Company did not have a separate designated Audit Committee. In the opinion of the Directors, the nature of the Company's activities does not warrant a separate committee to consider audit and accounting matters. These responsibilities are actively discharged by the Board of Directors as a whole.

DIRECTORS' RELEVANT INTEREST

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

Name of Director	Fully Paid Ordinary Shares
F Khan	20
Y Khan	20
A Chaudhri	2,507,521
V Ho	50,000

There were no securities 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.

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

The Board determines the remuneration structure of all Directors and Executive Officers having regard to the Company's performance and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

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

Remuneration of Directors of the Company

Name of Director	Office Held	Salary \$	Fees \$	Superannuation \$	Other Benefits \$	Total \$
Farooq Khan	Chairman and Managing Director	100,000	-	9,000	-	109,000
Victor Ho	Executive Director and Company Secretary	30,000	-	2,700	-	32,700
Azhar Chaudhri	Executive Director	-	50,000	-	-	50,000
Yaqoob Khan	Executive Director	-	40,000	-	-	40,000

DIRECTORS' REPORT

The Company did not have any Executive Officers (excluding 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.

DIRECTORS' INDEMNITIES

In addition to the rights of indemnity provided under the Company's Constitution (to the extent permitted by the Corporations Act), the Company has also entered into a deed with each of the Directors to regulate certain matters between the Company and each Director, both during the time the Directors holds office and after the Director ceases to be an officer of the Company (or wholly owned subsidiaries), including the following matters:

- The Company's retention of and the Director's access to Board papers and company books (subject to confidentiality and privilege) both while the Director is a director of the Company and after the Director ceases to hold office, for the purposes expressly permitted by the deed.
- The Company's obligation to use its best efforts to ensure that so far as practical (having regard to the cost of coverage and its availability with the issue of practicality to be determined by the Board), that there is an appropriate directors' and officers' insurance cover (as permitted by the Corporations Act) for the period that each Director is a director of the Company and for 2 years after that Director ceases to hold office;
- The Company's obligation to indemnify a Director for liabilities or legal costs incurred as an officer of the Company (to the extent permitted by the Corporations Act);
- Subject to the terms of the deed and the Corporations Act, the Company may, at the request of the Director and on such terms as it thinks fit, advance monies to the Director to meet any costs or expenses of the Director incurred in circumstances relating to the indemnities provided under the deed and prior to the outcome of a legal proceeding. The Company cannot make such an advance to a Director in respect of legal costs incurred in a legal proceeding initiated by the Company against the Director. Advances must be repaid by the Director once the outcome of the legal proceeding is known, but may be set-off by indemnities from the Company (where permitted by the deed and the Corporations Act); and
- the Company's and Director's rights and obligations in respect of confidential information, legal proceedings against the Director, disclosure of Director's benefits and notifiable interests, costs of independent advice and related party benefits.

The Company proposes to enter into deeds as described above with new Directors and officers appointed to the Company from time to time.

The Company has not had during the financial year and does not currently have a directors' and officers' liability insurance policy which covers all Directors and officers of the Company and its wholly-owned subsidiaries.

CORPORATE GOVERNANCE

The Board has the responsibility of ensuring the Company is properly managed so as to protect and enhance shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all parties with which it interacts. In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support the principles of corporate governance. The Company's Corporate Governance Statement is currently being updated and will be released in the 2004 Annual Report and posted on to the Company's website.

EVENTS SUBSEQUENT TO BALANCE DATE

The Directors are not aware of any matters or circumstances at the date of this Directors' Report, other than those referred to in this Directors' Report (in particular, in Review of Operations) or the financial statements or notes thereto (in particular, in Subsequent Events Note 26), 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.

DIRECTORS' REPORT

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



Farooq Khan
Chairman

Perth, Western Australia

31 August 2004



Victor Ho
Director

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated Entity		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
Sales revenue	2	38,349	22,525	-	-
Cost of sales		(82,891)	(17,500)	(55,870)	-
Gross Profit		(44,542)	5,025	(55,870)	-
Other revenue from operating activities	2	67,370	110,105	67,345	109,905
Non-operating revenue	2	89,145	43	89,145	43
Classification works costs	2	(1,027,147)	(1,168,613)	(1,027,147)	(1,168,613)
Occupancy costs	2	(26,428)	(33,509)	(26,428)	(33,509)
Finance costs	2	(2,609)	(3,259)	(2,374)	(2,266)
Borrowing costs	2	(33)	(200)	(26)	(200)
Corporate costs					
- Diminution in share investments	2	(39,186)	(17,769)	(39,186)	(218,893)
- Internet Technology amortisation	2	(98,365)	(192,445)	(98,365)	(192,446)
- others	2	(480,891)	(376,624)	(469,027)	(408,375)
Administration costs	2	(82,836)	(162,969)	(82,631)	(148,436)
Equity share of Associate net losses	2 & 12	(391,756)	(254,271)	-	-
Write back of provision for diminution in value of investment in Associate	2	444,903	418,964	-	418,964
Loss from ordinary activities before income tax expense		(1,592,375)	(1,675,522)	(1,644,564)	(1,643,826)
Income tax expense relating to ordinary activities	4	-	-	-	-
Loss from ordinary activities after income tax expense		(1,592,375)	(1,675,522)	(1,644,564)	(1,643,826)
Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners	18	(1,592,375)	(1,675,522)	(1,644,564)	(1,643,826)
Loss per share					
Basic loss (cents per share)	19	(1.95)	(2.05)	(2.02)	(2.01)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	19	81,593,281	81,593,281	81,593,281	81,593,281

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

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2004**

	Note	Consolidated Entity		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
CURRENT ASSETS					
Cash	23(b)	686,850	1,695,962	682,888	1,692,619
Receivables	7	32,823	49,433	17,935	31,225
Other	8	-	579	-	579
TOTAL CURRENT ASSETS		719,673	1,745,974	700,823	1,724,423
NON CURRENT ASSETS					
Receivables	9	19,266	14,266	19,266	14,266
Property, plant and equipment	10	61,886	76,132	61,886	76,132
Other financial assets	11	573,827	213,770	1,214,019	972,883
Investments accounted for using equity method	12	640,092	705,866	-	-
Internet technologies					
Prepaid classification works	13	-	167,810	-	167,810
Other development works	13	56,214	706,072	56,214	706,072
Intangibles	14	2,070	-	-	-
TOTAL NON CURRENT ASSETS		1,353,355	1,883,916	1,351,385	1,937,163
TOTAL ASSETS		2,073,028	3,629,890	2,052,208	3,661,586
CURRENT LIABILITIES					
Payables	15	129,733	107,339	129,406	107,339
Provisions	16	15,309	2,190	15,309	2,190
TOTAL CURRENT LIABILITIES		145,042	109,529	144,715	109,529
NET ASSETS		1,927,986	3,520,361	1,907,493	3,552,057
EQUITY					
Contributed equity	17	16,414,372	16,414,372	16,414,372	16,414,372
Accumulated losses	18	(14,486,386)	(12,894,011)	(14,506,879)	(12,862,315)
TOTAL EQUITY		1,927,986	3,520,361	1,907,493	3,552,057

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

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	Consolidated Entity		Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		40,387	5,998	-	-
Payments to suppliers and employees		(793,403)	(923,470)	(753,617)	(920,516)
Foreign exchange gain		25	-	-	-
Interest received		86,711	116,300	86,711	116,101
Interest paid		(33)	(200)	(26)	(200)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	23(a)	(666,313)	(801,372)	(666,932)	(804,615)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		(7,784)	(7,506)	(7,784)	(7,506)
Proceeds from sale of equipment		-	43	-	43
Payments for Internet Technologies		(98,365)	-	(98,365)	-
Payments for investments in listed securities		(317,480)	(202,596)	(317,480)	(202,596)
Payments for investments in subsidiary		-	-	-	(100)
Proceeds from sale of investments		81,000	-	81,000	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(342,629)	(210,059)	(342,629)	(210,159)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment for share buy back		(170)	-	(170)	-
NET CASH OUTFLOW FROM FINANCING ACTIVITIES		(170)	-	(170)	-
NET DECREASE IN CASH ASSETS HELD		(1,009,112)	(1,011,431)	(1,009,731)	(1,014,774)
Add opening cash assets brought forward		1,695,962	2,707,393	1,692,619	2,707,393
CLOSING CASH ASSETS AT END OF YEAR	23(b)	686,850	1,695,962	682,888	1,692,619

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1. SUMMARY OF ACCOUNTING POLICIES

Financial Reporting Framework

The Financial Report is a general purpose Financial Report, which has been prepared and is based on historical costs 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. The accounting policies have been consistently applied unless otherwise stated.

1.1 Principles of Consolidation

The consolidated Financial Statements are prepared by combining the Financial Statements of all the entities that comprise the Consolidated Entity, being the Company (the Company) and its controlled entities. Control exists where the Company has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with the Company to achieve the objectives of the Company. A list of controlled entities is contained in Note 11 to the Financial Statements.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation.

1.2 Revenue Recognition

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

(i) Sale of Licence and Disposal of Assets

Revenue is recognised when the Consolidated Entity has passed control of the licences, goods or other assets to the buyer. Control of licences, goods or assets is considered to be passed to buyer upon delivery of licences or assets to buyer or their agents.

(ii) Contributions of Assets

Revenue arising from the contribution of assets is recognised when the Consolidated Entity gains control of the contribution or the right to receive the contribution.

(iii) Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(iv) Dividend Revenue

Dividend revenue is brought to account on the applicable ex-dividend entitlement date.

(v) Other revenue

Other revenue is recognised on a receipts basis.

1.3 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.

1.4 Income Tax

The Consolidated Entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the financial statement of performance is based on the operating profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1.4 Income Tax (contd.)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

1.5 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 taxation authority, 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 taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows.

1.6 Employee Benefits

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

1.7 Receivables

Trade receivables and other receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

1.8 Investments

Investments 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.

The Directors review the investments bi-annually and where, in the opinion of the Directors, there has been a permanent diminution in value of an investment, the carrying amount of such an investment is written down to its net fair value. The net fair value is assessed from a listed investment's current market price or where unlisted or suspended, its net tangible asset value.

1.9 Property, Plant and Equipment

Property, plant and equipment are brought to account at cost, less any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed bi-annually by Directors to ensure it is not in excess of the recoverable amount. 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 rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate	Depreciation Method
Plant and Equipment	15-50%	Diminishing Value
Leasehold Improvements	15%	Diminishing Value

1.10 Valuation 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. Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

1.11 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.

1.12 Payables

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 The Impact of Adopting International Accounting Standards

The Australian Accounting Standards Board is adopting the Standards of the International Accounting Standards Board for application to reporting periods beginning on or after 1 January 2005. Pending Accounting Standard AASB 1 "*First-Time Adoption of Australian Equivalents to International Financial Reporting Standards*" prescribes transitional provision for first-time adopters.

AASB 1047 "*Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards*" requires financial reports to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date and will apply for June 2004 reporting.

The economic entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. The Directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

(i) Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of timing and permanent differences between taxable income and accounting profit.

(ii) Non-Current Investments

Under the pending AASB 139 "*Financial Instruments: Recognition and Measurement*" financial instruments that are classified as available for sale instruments must be carried at fair value. Unrealised gains or losses may be recognised either in income or directly to equity. Current accounting policy is to measure non-current investments at cost, with a review performed bi-annually by the Directors of the current market value to ensure investments are not in excess of the recoverable amount. The net fair value is assessed from a listed investment's current market price or where unlisted or suspended, its net tangible asset value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

2. LOSS FROM ORDINARY ACTIVITIES

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

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Operating revenue				
Sales revenue				
Virtual Web Licence fees	38,349	22,525	-	-
Other revenue				
Interest received	67,345	110,105	67,345	109,905
Other	25	-	-	-
	<u>105,719</u>	<u>132,630</u>	<u>67,345</u>	<u>109,905</u>
(b) Non-operating revenue				
Proceeds from sale of assets	-	43	-	43
Dividends from shares	8,145	-	8,145	-
Proceeds from sale of investments	81,000	-	81,000	-
	<u>89,145</u>	<u>43</u>	<u>89,145</u>	<u>43</u>
Total revenue	<u>194,864</u>	<u>132,673</u>	<u>156,490</u>	<u>109,948</u>
(c) Expenses				
Cost of sales	82,891	17,500	55,870	-
Operating expenses				
Classification and development works	1,027,147	1,168,613	1,027,147	1,168,613
Occupancy costs	26,428	33,509	26,428	33,509
Finance costs	2,609	3,259	2,374	2,266
Borrowing costs - interest paid	33	200	26	200
Administration costs				
Communications	16,609	20,505	16,404	20,505
Consultancy fees	66,227	142,464	66,227	127,931
Corporate costs				
Takeover and related matters	-	(47,107)	-	(47,107)
Professional Fees	-	31,077	-	31,077
Cost of shares sold	60,000	-	60,000	-
Cost of assets sold	-	84	-	84
Depreciation - property, plant and equipment	22,030	26,213	22,030	26,213
Personnel costs	295,688	259,741	295,688	259,741
Provision for employee benefits	25,696	11,163	25,696	11,163
Provision for diminution - share investments	39,186	17,769	39,186	218,893
Provision/(write back) for non recovery	(7,445)	7,445	(19,108)	39,200
Write-down of Internet Technology	98,365	192,445	98,365	192,446
Write-off subsidiary	7,708	-	7,708	-
Other corporate expense	77,214	88,008	77,013	88,004
Equity share of Associate's losses	391,756	254,271	-	-
Write back of provision for diminution in value of investment in Associate	(444,903)	(418,964)	-	(418,964)
	<u>1,787,239</u>	<u>1,808,195</u>	<u>1,801,054</u>	<u>1,753,774</u>

3. SALE OF ASSETS

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

(a) Net Gain/(Loss):	Assets	-	(41)	-	(41)
	Investments	21,000	-	21,000	-
		<u>21,000</u>	<u>(41)</u>	<u>21,000</u>	<u>(41)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

4. INCOME TAX EXPENSE

	Consolidated Entity		Company	
	2004	2003	2004	2003
(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	(1,592,375)	(1,675,522)	(1,644,564)	(1,643,826)
Income tax expense calculated at 30% (2003:30%) of operating losses	(477,713)	(502,657)	(493,369)	(493,148)
Permanent differences				
Diminution in investments	11,756	5,331	11,756	65,668
Provision for non recovery	(2,234)	2,234	(5,732)	11,760
Write-down of Internet Technology	29,510	57,734	29,510	57,734
Other non-deductible items	-	(13,012)	-	(13,012)
Equity share of Associate's losses	117,527	76,281	-	-
Write back of provision for diminution in value	(133,471)	(125,689)	-	-
Tax losses not brought to account as future income tax benefits	454,625	499,778	457,835	370,998
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:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- 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 \$1,616,510 (2003: \$1,161,885).

5. DIRECTORS' AND EXECUTIVES' DISCLOSURES

(a) Names and positions held of parent entity directors in office at any time during the financial year are:

Farooq Khan	Chairman & Managing Director
Victor P H Ho	Executive Director & Company Secretary
Azhar Chaudhri	Executive Director
Yaqoob Khan	Executive Director

(b) Parent Entity Directors' Remuneration

Specified Directors		Primary Remuneration			Total
		Salaries & Fees	Superannuation	Other Benefits	
2004	Farooq Khan	100,000	9,000	-	109,000
	Victor P H Ho	30,000	2,700	-	32,700
	Azhar Chaudhri	50,000	-	-	50,000
	Yaqoob Khan	40,000	-	-	40,000
		<u>220,000</u>	<u>11,700</u>	<u>-</u>	<u>231,700</u>
2003	Farooq Khan	100,385	9,035	-	109,420
	Victor P H Ho	30,000	2,710	-	32,710
	Azhar Chaudhri	50,000	-	-	50,000
	Yaqoob Khan	15,000	-	-	15,000
		<u>195,385</u>	<u>11,745</u>	<u>-</u>	<u>207,130</u>

The Directors have not received any post-employment remuneration or equity based remuneration.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

5. DIRECTORS' AND EXECUTIVES' DISCLOSURES (CONTD.)

(c) Specified Executives' Remuneration

The parent entity does not have any specified executives (other than executive directors).

(d) Number of fully paid shares held by Parent Entity Directors

Specified Directors	Balance at 1 July 2003	Issued during the Year	Net Change	Balance at 30 June 2004
2004 Farooq Khan	53,793,866	-	-	53,793,866
Victor P H Ho	75,000	-	-	75,000
Azhar Chaudhri	52,774,221	-	-	52,774,221
Yaqoob Khan	53,793,866	-	-	53,793,866

The above disclosures of equity holdings are in accordance with Accounting Standard AASB 1046 (Director and Executive Disclosure by Disclosing Entities) which includes disclosure of direct and indirect holdings of spouses, relatives, spouses of relatives and entities under the control or significant influence of each of the same. There are instances of some overlap between the disclosed holdings in this regard.

(e) Remuneration Practices

The Company's policy for determining the nature and amount of emoluments to directors of the Company is as follows: The Board determines the remuneration structure having due regard to the Company's performance and scope of operations and other relevant factors, including the frequency of Board meetings, length of service, particular experience and qualifications.

6. AUDITORS' REMUNERATION

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

Auditor of the parent entity

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Audit and review of financial reports	8,715	9,632	8,715	9,632
Other services	1,000	1,800	1,000	1,800
Other Auditors	9,715	11,432	9,715	11,432
Audit and review of financial reports	-	(1,170)	-	(1,170)
Other services	2,216	5,673	2,216	5,673
	11,931	15,935	11,931	15,935

7. CURRENT RECEIVABLES

Amounts receivable from

Trade debtors	14,489	16,527	-	-
Sundry debtors	8,544	-	8,145	-
Goods and services tax recoverable	9,790	13,540	9,790	11,859
Others	-	19,366	-	19,366
	32,823	49,433	17,935	31,225

8. OTHER CURRENT ASSETS

Prepayments	-	579	-	579
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9. NON - CURRENT RECEIVABLES

Bonds and guarantees	19,266	14,266	19,266	14,266
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

10. PROPERTY, PLANT AND EQUIPMENT

Consolidated Entity	Plant and Equipment	Leasehold Improve- ments	Total
	\$	\$	\$
Gross Carrying Amount			
Balance at 30 June 2003	146,532	21,788	168,320
Additions	7,783	-	7,783
Balance at 30 June 2004	<u>154,315</u>	<u>21,788</u>	<u>176,103</u>
Accumulated Depreciation			
Balance at 30 June 2003	(83,128)	(9,060)	(92,188)
Depreciation expense	(20,120)	(1,909)	(22,029)
Balance at 30 June 2004	<u>(103,248)</u>	<u>(10,969)</u>	<u>(114,217)</u>
Net Book Value			
As at 30 June 2003	63,404	12,728	76,132
As at 30 June 2004	<u>51,067</u>	<u>10,819</u>	<u>61,886</u>
Company			
Gross Carrying Amount			
Balance at 30 June 2003	146,532	21,788	168,320
Additions	7,783	-	7,783
Balance at 30 June 2004	<u>154,315</u>	<u>21,788</u>	<u>176,103</u>
Accumulated Depreciation			
Balance at 30 June 2003	(83,128)	(9,060)	(92,188)
Depreciation expense	(20,120)	(1,909)	(22,029)
Balance at 30 June 2004	<u>(103,248)</u>	<u>(10,969)</u>	<u>(114,217)</u>
Net Book Value			
As at 30 June 2003	63,404	12,728	76,132
As at 30 June 2004	<u>51,067</u>	<u>10,819</u>	<u>61,886</u>

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	
	2004	2003	2004	2003
Investments comprise:	\$	\$	\$	\$
Shares and options in listed corporations - at cost	770,132	489,810	770,132	489,810
Shares in associated company - at cost (refer Note 12)	-	-	1,289,817	1,289,817
Shares in controlled entities - at cost	-	-	100	100
Less: Provision for diminution	(196,305)	(276,040)	(846,030)	(806,844)
	<u>573,827</u>	<u>213,770</u>	<u>1,214,019</u>	<u>972,883</u>
Market value of investments at 30 June 2004:				
Shares in listed companies	583,827	218,075	923,876	558,125

(a) Investment in Controlled Entities

	Percentage of Ownership	
	2004	2003
Virtual Web Pty Ltd Incorporated in Australia, on 28 November 2002. This company is currently engaged in providing Virtual Web services.	100%	100%
Fast Scout Inc. Incorporated in Delaware, USA, on 17 November 2000. This company has been de-registered on 27 April 2004.	-	100%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Associate Entity	Principal Activity	Ownership Interest	Consolidated Carrying Amount	
			2004 \$	2003 \$
Altera Capital Ltd ("AEA") (formerly Bigshop.com.au Ltd)	Software development, IT consultancy and management of its investments	32.25%	640,092	705,866

The Company's ownership interest in AEA increased from 21.74% to the current level of 32.25% as a consequence of AEA cancelling 30,000,000 shares on 3 October 2003 pursuant to an Equal Access Scheme Share Buy-Back (which the company did not participate in).

Movement in Investment in Associate	Consolidated Carrying Amount	
	2004 \$	2003 \$
Equity accounted amount of investment at the beginning of the financial year	705,866	541,173
Share of losses from ordinary activities before income tax expense	(391,756)	(254,271)
Share of income tax expense related to ordinary activities	-	-
Write back of provision for diminution in value	325,982	418,964
Equity accounted amount of investment at the end of the financial year	640,092	705,866
Market value as at 12 June 2003	-	340,049
Directors' valuation (as no "market value" due to ASX suspension)	640,092	-

AEA was suspended from the ASX on 12 June 2003. The last trade on ASX occurred on 12 June 2003 at 1.70 cents per share, valuing the investment held in AEA at \$340,049. This was reported as the market value at 30 June 2003.

The investment represents 32.25% (June 2003: 21.74%) of AEA's issued share capital and its last traded price on the 12 June 2003 is not indicative of the value of such a significant strategic parcel of shares.

The Company's share of the net asset value of AEA at 30 June 2004 was significantly in excess of the last traded ASX price of 1.70 cents per share. As at 30 June 2004, AEA's net tangible asset ("NTA") backing was 4.1 cents per share (2003: 4.8 cents per share) at consolidated level and 3.2 cents per share (2003: 4.8 cents per share) at company level - the Company's investment in AEA valued at such NTA backings would equal \$820,117 and \$640,092 (2003: \$960,371) respectively.

In light of the above, the Directors are of the opinion that a recoverable fair and "market" value of the investment in AEA is \$640,092 (or 3.2 cents per share).

Summarised Financial Position of Associate	2004	2003
Current assets:	\$	\$
Cash	604,350	2,977,525
Receivables	64,308	22,593
Other	-	2,000
Non-current assets:		
Property, plant and equipment	5,340	33,616
Other financial assets	2,397,131	10,716
Investments equity accounted	-	2,408,869
Current liabilities:		
Payables	(479,675)	(1,031,433)
Provisions	(37,886)	(5,935)
Net assets	2,553,568	4,417,951
Net losses	(1,242,801)	(1,169,714)

Expenditure Commitments

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

Non-cancellable lease commitments

Not longer than 1 year	-	4,348
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

13. INTERNET TECHNOLOGIES

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Prepaid Classification Works	4,742,417	5,560,085	4,742,417	5,560,085
Recoverable Amount Written Down	(4,742,417)	(5,392,275)	(4,742,417)	(5,392,275)
Total Prepaid Classification Works	-	167,810	-	167,810
(b) Portal Technology Development Works:				
(i) Category Works	30,877	30,877	30,877	30,877
Recoverable Amount Written Down	(30,877)	(30,877)	(30,877)	(30,877)
(ii) Portal Delivery System Development Works	156,183	156,183	156,183	156,183
Recoverable Amount Written Down	(156,183)	(156,183)	(156,183)	(156,183)
(iii) Classification Works	4,178,428	4,178,428	4,178,428	4,178,428
Recoverable Amount Written Down	(4,122,214)	(3,472,356)	(4,122,214)	(3,472,356)
	56,214	706,072	56,214	706,072
Total Portal Technology Development Works	56,214	706,072	56,214	706,072
Summary of Portal Technology				
Prepaid Classification Works	4,742,417	5,560,085	4,742,417	5,560,085
Category Works	30,877	30,877	30,877	30,877
Portal Delivery System Development Works	156,183	156,183	156,183	156,183
Classification Works	4,178,428	4,178,428	4,178,428	4,178,428
Accumulated write-downs	(9,051,691)	(9,051,691)	(9,051,691)	(9,051,691)
Total Portal Technology	56,214	873,882	56,214	873,882
Virtual Web development works				
Virtual Web development works	98,365	-	98,365	-
Recoverable Amount Written Down	(98,365)	-	(98,365)	-
	-	-	-	-
Total Internet Technologies	56,214	873,882	56,214	873,882

Pursuant to a Portal Classification Agreement for Data Base Systems Ltd 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 notional \$10,060,340) and was required to pay a further cash component being \$272,700 for 286,000 websites to be classified during the first 6 months from commencement of classification works. 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 period of 60 months (at a rate of \$0.70 per website URL classified).

All Classification, Category and Portal Delivery System development costs incurred up to the launch date 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 255,697 (2003:291,973) classified business-related website URL's from Data Base Systems Ltd at a cost of \$971,911 (2003: \$1,138,054), comprising:

- (i) a cash component of \$154,243 (2003: \$204,381); and
- (ii) \$817,667 (2003: \$933,673) drawn-down from prepayments of \$10,060,340.

The Company incurred total Portal technology classification and development works expenses of \$1,027,147 (2003: \$1,168,613) during the financial year, including the above costs.

The Company also incurred development costs associated with its Virtual Web Internet filtering and monitoring software and related website during the financial year of \$100,435 (2003: nil) which has been capitalised but written down (expensed) to a carrying value of \$nil at Balance Date

The Company notes that the value of its investment in the Portal Technology assets at Balance Date comprising Prepaid Classification Works and Classification Works was written down (expensed) to a carrying value of \$56,214 (2003: \$873,882).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

14. NON-CURRENT INTANGIBLES

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Internet website	2,070	-	-	-

15. CURRENT PAYABLES

Trade creditors	3,337	2,349	3,337	2,349
Other creditors and accruals	40,056	18,528	39,729	18,528
Investments pending settlement	22,842	-	22,842	-
Amounts due to Director Related Entities and Associate	57,942	80,736	57,942	80,736
Unmarketable parcel trust account	5,556	5,726	5,556	5,726
	129,733	107,339	129,406	107,339

16. NON-CURRENT PROVISIONS

Provision for employee entitlements	15,309	2,190	15,309	2,190
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Number of employees (including Executive Directors and Officers) at Balance Date

	5	5	5	5
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17. CONTRIBUTED EQUITY

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
(a) Issued and Paid-Up Capital				
81,593,281 fully paid ordinary shares (2003: 81,593,281)	16,414,372	16,414,372	16,414,372	16,414,372

(b) Movement in Ordinary Share Capital

	No of shares			
Balance at beginning of financial year	81,593,281	16,414,372	16,414,161	16,414,161
Add: share buy back cost	-	-	211	211
Balance at end of financial year	81,593,281	16,414,372	16,414,372	16,414,372

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

18. ACCUMULATED LOSSES

	Consolidated Entity		Company	
	2004	2003	2004	2003
	\$	\$	\$	\$
Balance at beginning of the year	(12,894,011)	(11,218,489)	(12,862,315)	(11,218,489)
Net loss	(1,592,375)	(1,675,522)	(1,644,564)	(1,643,826)
Balance at end of financial year	(14,486,386)	(12,894,011)	(14,506,879)	(12,862,315)

19. LOSS PER SHARE

	Consolidated Entity		Company	
	2004	2003	2004	2003
Basic loss per share (cents)	(1.95)	(2.05)	(2.02)	(2.01)
Net Loss	(1,592,375)	(1,675,522)	(1,644,564)	(1,643,826)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	81,593,281	81,593,281	81,593,281	81,593,281

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 FINANCIAL YEAR ENDED 30 JUNE 2004**

20. EXPENDITURE COMMITMENTS

	Consolidated Entity		Company	
	2004	2003	2004	2003
Cash Contractual Commitments	\$	\$	\$	\$
Not longer than one year	566,241	442,581	566,241	442,581
Longer than one year and not longer than 2 years	471,868	442,581	471,868	442,581
Longer than 2 years and not longer than 5 years	-	331,935	-	331,935
	<u>1,038,109</u>	<u>1,217,097</u>	<u>1,038,109</u>	<u>1,217,097</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). Please refer to Note 13 of the Financial Statements for more details about the nature of the agreement and contractual commitments therein.

The Company has received a net total of 1,662,987 classified business-related website URL's from Data Base in respect of classification works performed up to 30 June 2004.

As at 30 June 2004, the outstanding matters pursuant to such agreement may be summarised as follows:

Balance of website URL's to be classified by Data Base	1,483,013
Term Outstanding (to April 2006)	22 months
Balance of Cash component payable by Company	\$1,038,109

The Company is mindful of its capital position in relation to the commercial advancement of Virtual Web relative to its capacity to fund such advancement. The Company believes that given the significant size of classified business-related website URL's already provided under the Portal Classification Agreement, that it is appropriate to review the commercial benefits to be received by the further classification of website URL's from Data Base versus the costs to the Company of doing so. In this regard the Company confirms it is currently in discussions with Data Base with respect to the Portal Classification Agreement with a view to either re-negotiating its terms or seeking a mutually acceptable early termination.

The Company notes that any proposed alteration or early termination of such agreement will be put to shareholders as a director-related party matter at which Data Base will be excluded from voting. Furthermore, an independent expert's report will also be commissioned for inclusion in the notice of meeting documentation to assess whether the with Data Base is fair and reasonable to the unassociated shareholders of Fast Scout.

The satisfaction of liabilities under the Portal Classification Agreement drawn from prepayments of \$10,060,340 is not included in the above Expenditure Commitments. However, 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	
	2004	2003	2004	2003
	\$	\$	\$	\$
Not longer than one year	-	167,810	-	167,810

21. SEGMENT REPORTING

The Consolidated Entity is based in Australia but offers its Virtual Web Internet related software for sale internationally via downloads from Internet.

Segment Revenues & Results	External Revenue		Operating Results	
	2004	2003	2004	2003
	\$	\$	\$	\$
Internet Technologies	(38,374)	22,525	(1,071,664)	(1,432,178)
Investments	(89,145)	-	43,106	(224,933)
	<u>(127,519)</u>	<u>22,525</u>	<u>(1,028,558)</u>	<u>(1,657,111)</u>
Unallocated	(67,345)	110,148	(563,817)	(18,411)
	<u>(194,864)</u>	<u>132,673</u>	<u>(1,592,375)</u>	<u>(1,675,522)</u>
Loss from ordinary activities before income tax			(1,592,375)	(1,675,522)
Income tax expense relating to ordinary activities			-	-
Loss from ordinary activities after income tax			<u>(1,592,375)</u>	<u>(1,675,522)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

21. SEGMENT REPORTING (CONTD.)

Segment Assets & Liabilities	Assets		Liabilities	
	2004	2003	2004	2003
	\$	\$	\$	\$
Internet Technologies	72,773	895,433	(28,000)	(80,735)
Investments	1,222,063	919,636	(22,842)	-
	<u>1,294,836</u>	<u>1,815,069</u>	<u>(50,842)</u>	<u>(80,735)</u>
Unallocated	778,192	1,814,821	(94,200)	(28,794)
	<u>2,073,028</u>	<u>3,629,890</u>	<u>(145,042)</u>	<u>(109,529)</u>

Other Segment Information	Internet Technologies		Investments	
	2004	2003	2004	2003
	\$	\$	\$	\$
Carrying value of investments accounted for using the equity method	-	-	640,092	705,866
Share of net losses of associate company accounted for under the equity method	-	-	(391,756)	(254,271)
Acquisition of segment assets	100,435	-	(340,322)	(202,596)
Other non-cash expenses				
Write down of segment assets	(98,365)	(192,445)	-	-
Diminution of segment assets	-	-	(39,186)	(17,769)

22. RELATED PARTY TRANSACTIONS

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

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

(a) 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 (2003: 61.56%) and is regarded as a controlling entity of the Company.

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 the Balance Date by the Company. Interest is not charged on such outstanding amount.

Entity	Expenditure	Amounts Outstanding
	\$	\$
Data Base Systems Ltd		
Cash Payments	177,988	28,000
Prepayment Drawdowns	817,668	-
	<u>995,656</u>	<u>28,000</u>

(b) Transactions with Controlled Entities

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 the Balance Date by Virtual Web Pty Ltd. Interest is not charged on such outstanding amount.

Entity	Amounts Outstanding
	\$
Virtual Web Pty Ltd	<u>20,092</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

22. RELATED PARTY TRANSACTIONS (CONTD.)

(c) Transactions with Associate

Services and Creditors

During the financial year, Associate Altera Capital Ltd provided software development, project management and IT consulting services to the Company. Interest is not charged on such outstanding amount.

Entity	Expenditure \$	Amounts Outstanding \$
Altera Capital Ltd	<u>132,220</u>	<u>29,942</u>

(d) Other Transactions

During the financial year, there were transactions between the Company, Sofcom Limited, Queste Communications Limited, Altera Capital Limited and Central Exchange Limited (being companies in which some of the Company's directors are also directors), pursuant to shared office and administration expense arrangements on a cost recovery basis.

At balance date, there were no outstanding amounts between the above companies with the Company.

23. STATEMENTS TO CASH FLOWS

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

	Consolidated Entity		Company	
	2004 \$	2003 \$	2004 \$	2003 \$
Operating loss after tax	(1,592,375)	(1,675,522)	(1,644,564)	(1,643,826)
Non cashflows in loss from ordinary activities:				
Depreciation - plant & equipment	22,030	26,213	22,030	26,213
Classification and development works	817,668	933,673	817,668	933,673
Gain on sale of investments	(21,000)	-	(21,000)	-
Loss on sale of assets	-	41	-	41
Provision for diminution - share investments	39,186	17,769	39,186	218,893
Write-down of Portal Technology	98,365	192,445	98,365	192,446
Equity share of Associate's losses	391,756	254,271	-	-
Write back of provision for diminution in value of investment in Associate	(444,903)	(418,964)	-	(418,964)
Decrease/(Increase) in assets:				
Receivables	16,610	40,670	13,290	58,880
Other current assets	(4,421)	-	(4,421)	-
Increase/(Decrease) in liabilities:				
Trade creditors and accruals	(2,348)	(173,170)	(605)	(171,971)
Provisions	13,119	1,202	13,119	-
Net cash outflows from operating activities	<u>(666,313)</u>	<u>(801,372)</u>	<u>(666,932)</u>	<u>(804,615)</u>

(b) Reconciliation of Cash

For the purposes of the statements 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	686,850	201,989	682,888	198,646
Bank bills	-	1,493,973	-	1,493,973
	<u>686,850</u>	<u>1,695,962</u>	<u>682,888</u>	<u>1,692,619</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004**

24. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposure

	Average Interest Rate	Variable Interest Rate \$	Fixed Interest Rate \$	Non-Interest Bearing \$	Total \$
2004					
Financial assets					
Cash	5.67%	686,850	-	-	686,850
Receivables		-	-	52,089	52,089
Investment in Associates		-	-	640,092	640,092
Shares in listed companies		-	-	573,827	573,827
		<u>686,850</u>	<u>-</u>	<u>1,266,008</u>	<u>1,952,858</u>
Financial liabilities					
Payables		-	-	(129,733)	(129,733)
Employee entitlements		-	-	(15,309)	(15,309)
		<u>-</u>	<u>-</u>	<u>(145,042)</u>	<u>(145,042)</u>
Net financial assets		<u>686,850</u>	<u>-</u>	<u>1,120,966</u>	<u>1,807,816</u>

	Average Interest Rate	Variable Interest Rate \$	Fixed Interest Rate \$	Non-Interest Bearing \$	Total \$
2003					
Financial assets					
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>
Financial liabilities					
Payables		-	-	(107,339)	(107,339)
Employee Entitlements		-	-	(2,190)	(2,190)
		<u>-</u>	<u>-</u>	<u>(109,529)</u>	<u>(109,529)</u>
Net financial assets		<u>201,989</u>	<u>1,493,973</u>	<u>873,806</u>	<u>2,569,768</u>

Reconciliation of net financial assets to net assets

	Consolidated Entity	
	2004	2003
	\$	\$
Net financial assets as above	1,807,816	2,569,768
Non-financial assets and liabilities		
Property, plant and equipment	61,886	76,132
Portal Technology and Intangibles	58,284	873,882
Other assets	-	579
	<u>1,927,986</u>	<u>3,520,361</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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

25. CONTINGENT LIABILITIES AND ASSETS

The Consolidated Entity does not have any contingent assets or liabilities as at 30 June 2004, save as disclosed below.

The Company notes the litigation referred to in Note 26 (Subsequent Events) commenced against the Company and other parties on 14 July 2004.

The Company has filed a Defence and Cross-Claim and the proceedings are listed for further directions on 8 October 2004 and for a final hearing in the Federal Court in Sydney commencing on 25 October 2004.

Please refer to Note 26 (Subsequent Events) for further information.

26. SUBSEQUENT EVENTS

On 14 July 2004, ASX listed Rivkin Financial Services Limited ("RFS") commenced proceedings in the Federal Court of Australia in Sydney against Sofcom Limited ("SOF"), Fast Scout Limited ("FSL") and Altera Capital Limited ("AEA").

The proceedings relate to a Memorandum of Understanding ("MOU") entered into between SOF, FSL and AEA on 30 June 2004 to record the terms of their common desire to exercise their rights as individual shareholders of RFS as one collective "bloc" and the requisition served on RFS by SOF, FSL and AEA on 5 July 2004 requesting the directors of RFS call a general meeting of members to seek various changes to the board of RFS.

The allegation made against each of SOF, FSL and AEA is that the purchase of shares by each of the three companies in RFS in the period 22 June 2004 to 29 June 2004 (comprising the companies' initial substantial shareholding in RFS as disclosed in the notice for the same lodged on 30 June 2004) was allegedly contrary to the insider trading provisions of the Corporations Act. What is alleged by RFS is that each of the three companies knew the terms of the MOU and that such knowledge of each others intention constituted insider trading. There is no allegation that any of SOF, FSL or AEA knew or relied upon any information from any third party or RFS concerning the affairs of RFS.

On 2 August 2004, SOF, FSL and AEA filed a Defence denying any breach of the insider trading provisions of the Corporations Act 2001.

On 4 August 2004, SOF, FSL and AEA filed a Cross-Claim seeking orders against each of RFS, Network Limited, Cole Kablow Superannuation Pty Ltd, Alan Davis Group Pty Ltd and Alan Andrew Davis in relation to the affairs of RFS out of several transactions – the acquisition of the Rene Rivkin holding in RFS by Alan Davis Group on 17 June 2004 and the transactions announced by RFS and Network on 2 July 2004 concerning RFS, Network and Cole Kablow.

The proceedings are listed for further directions on 8 October 2004 and for a final hearing commencing on 25 October 2004.

The collective shareholding of SOF, FSL and AEA in RFS currently totals 5,058,471 shares (5.043%).

DIRECTORS' DECLARATION

The Directors declare that:

- (1) The attached financial statements for the year ended 30 June 2004 and notes thereto ("**financial statements**") comply with Accounting Standards;
- (2) The financial statements give a true and fair view of the financial position and performance of the Company and Consolidated Entity;
- (3) In the Directors' opinion, the financial statements are in accordance with the Corporations 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
Chairman



Victor Ho
Director

Perth, Western Australia

31 August 2004



STANTON PARTNERS

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF FAST SCOUT LIMITED

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the director's declaration for Fast Scout Limited (the Company) and the consolidated entity for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during the year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

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

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

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

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

INDEPENDENCE

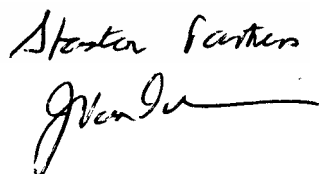
In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

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 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

STANTON PARTNERS



J P Van Dieren
Partner

Perth, Western Australia
31 August 2004