



FAST SCOUT LIMITED

ABN 94 088 488 724

HALF YEAR REPORTS:

**ASX Appendix 4D - Results For Announcement To Market
Directors' Report
Financial Statements
Audit Review Report
Auditor's Independence Declaration**

31 December 2004

www.fastscout.com

FAST SCOUT LIMITED

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CORPORATE DIRECTORY

BOARD

Farooq Khan	Chairman and Managing Director
Azhar Chaudhri	Director
Yaqoob Khan	Director
Victor Ho	Director

COMPANY SECRETARY

Victor Ho

PRINCIPAL & REGISTERED OFFICE

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SHARE REGISTRY

Advanced Share Registry Services
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STOCK EXCHANGE

Australian Stock Exchange
Perth, Western Australia

ASX CODE

FSL

AUDITORS

Stanton Partners
1 Havelock Street
West Perth Western Australia 6005

BANKER

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

RESULTS FOR ANNOUNCEMENT TO MARKET

This Half Year Report is provided to the Australian Stock Exchange (**ASX**) under ASX Listing Rule 4.2A.3

Current Reporting Period: 1 July 2004 to 31 December 2004
 Previous Corresponding Period: 1 July 2003 to 31 December 2003
 Balance Date: 31 December 2004

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue and Net Profit (Loss)

Consolidated			Dec 2004 \$	Dec 2003 \$
Revenue from ordinary activities	Down	to 52%	23,730	49,831
Loss from ordinary activities after tax attributable to members	Up	to 49%	(860,236)	(575,757)
Loss for the period attributable to members	Up	to 49%	(860,236)	(575,757)

Dividends

No dividends have been paid or declared during the financial half year.

Brief Explanation of Revenue, Net Profit and Dividends (above)

During the financial half year, the Company received a total of 272,230 classified business-related website URL's from Data Base Systems Limited (pursuant to a Portal Classification Agreement) at a cash cost of \$194,161 (December 2003: \$74,177) and \$870,537 as a drawn-down from prepayments (December 2003: \$451,900).

The Company incurred total classification and other development works expenses of \$1,077,853 during the financial half year, including the above costs (December 2003: \$620,152). However, \$814,323 of write-downs on the Portal Technology asset in previous periods were written-back against such expenses (December 2003: nil).

The Company notes that the value of its investment in the Portal Technology assets at Balance Date comprising Prepaid Classification Works and Classification Works have been written down (expensed) to a carrying value of \$nil (30 June 2004: \$56,214; 31 December 2003: \$421,982).

The Company also incurred \$183,256 costs in relation to share investments (December 2003: nil). This comprises principally the Company's share of legal fees relating to Rivkin Financial Services Limited ("**RFS**") litigation.

Fast Scout has accounted for its 32.25% interest in ASX listed Altera Capital Limited ("**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 \$276,526 (December 2003: \$47,811) of losses attributable to investment in such Associate.

RESULTS FOR ANNOUNCEMENT TO MARKET

Please also refer to the financial statements for the half year ended 31 December 2004 and notes thereto for further details.

For and on behalf of the Directors,



.....
Victor Ho
Company Secretary

Date: 25 February 2005

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 half year ended 31 December 2004 (“**Balance Date**”).

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

Fast Scout has prepared a consolidated financial report incorporating the entities that it controlled during the financial half year. Controlled entities are Virtual Web Pty Ltd ABN 12 102 978 370 (controlled throughout the financial half year).

Fast Scout has also accounted for its 32.253% interest in ASX listed Altera Capital Limited ABN 55 082 541 437 (“**AEA**” or “**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.”

OPERATING RESULTS

	Consolidated Entity	
	Dec 2004 \$'000	Dec 2003 \$'000
Net loss	(860,236)	(575,757)

LOSSES PER SHARE

	Consolidated Entity	
	Dec 2004	Dec 2003
Basic loss per share (cents)	(1.05)	(0.71)
Diluted loss per share (cents)	(1.05)	(0.71)
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	81,593,281	81,593,281

NET TANGIBLE ASSET BACKING

	Consolidated Entity		
	Dec 2004	June 2004	Dec 2003
Net assets	\$1,067,750	\$1,927,986	\$2,944,604
Less intangible assets:			
Prepaid classification works	-	-	-
Portal development works	-	(\$56,214)	(\$421,982)
Other Intangibles	(\$2,070)	(\$2,070)	(\$26,133)
Net tangible assets	\$1,065,680	\$1,869,702	\$2,496,489
Fully paid ordinary shares on issue at Balance Date	81,593,281	81,593,281	81,593,281
Net tangible asset backing per issued ordinary share as at Balance Date (cents)	1.31	2.29	3.06

DIRECTORS' REPORT

REVIEW OF OPERATIONS

1. VIRTUAL WEB INTERNET FILTERING AND MONITORING SOLUTION

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. The Company has received Microsoft Certified Partner (MCP) Status for the Virtual Web for Microsoft ISA Server solution.

Fast Scout has also teamed up with another Australian public listed company, WebSpy Limited, to add comprehensive monitoring and reporting functionality to Virtual Web.

Virtual Web for ISA Server 2000 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.

Prospective customers from anywhere in the world can 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.

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 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.

2. 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 1,935,217 classified business-related website URL's from Data Base in respect of classification works performed up to 31 December 2004.

DIRECTORS' REPORT

As at 31 December 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	1,210,783
Term Outstanding (to April 2006)	16 months
Balance of Cash component payable by Company	\$847,548
Balance of Outstanding Prepaid Shares	19,359,327
Value of Outstanding Prepaid Shares @ Issue Price	\$3,871,865

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 proposal with Data Base is fair and reasonable to the unassociated shareholders of Fast Scout.

3. "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.

DIRECTORS' REPORT

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
- 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.

DIRECTORS' REPORT

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.

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 half year.

DIRECTORS

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

1. Farooq Khan

Chairman and Managing Director

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 Rivkin Financial Services Limited and Bentley International Limited.

2. Victor Ho

Executive Director and Company Secretary

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 Rivkin Financial Services Limited, Queste Communications Limited and Bentley International Limited.

DIRECTORS' REPORT

3. Azhar Chaudhri
Executive Director

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

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.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 26.

Signed for and on behalf of the Directors of Fast Scout Limited in accordance with a resolution of the Board,



Farooq Khan
Chairman and Managing Director



Victor Ho
Executive Director

Perth, Western Australia

25 February 2005

**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 31 DECEMBER 2004**

	Note	Consolidated Entity		Company	
		31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
		\$	\$	\$	\$
Sales revenue	2	17,133	13,971	744	-
Cost of sales		(93,269)	(5,150)	(61,739)	(2,379)
Gross Profit		(76,136)	8,821	(60,995)	(2,379)
Other revenue from operating activities	2	6,597	35,860	6,597	35,860
Non-operating revenue	2	138,834	-	138,834	-
Classification works costs	2	(1,077,853)	(620,152)	(1,077,853)	(620,152)
Occupancy costs	2	(13,461)	(13,673)	(13,461)	(13,673)
Finance costs	2	(885)	(1,506)	(841)	(1,434)
Borrowing costs	2	-	(22)	-	(22)
Corporate costs					
- Diminution in share investments	2	(21,444)	162,266	(161,464)	203,367
- Internet Technology amortisation	2	814,323	-	814,323	-
- others	2	(447,783)	(200,112)	(450,027)	(178,183)
Administration costs	2	(42,409)	(41,488)	(42,409)	(41,488)
Equity share of Associate net losses	2	(276,526)	(47,811)	-	-
Write back of provision for diminution in value of investment in Associate	2	136,506	142,060	-	-
Loss from ordinary activities before income tax expense		(860,237)	(575,757)	(847,296)	(618,104)
Income tax expense relating to ordinary activities		-	-	-	-
Loss from ordinary activities after income tax expense		(860,237)	(575,757)	(847,296)	(618,104)
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	14	(860,237)	(575,757)	(847,296)	(618,104)
Loss per share					
Basic loss (cents per share)	15	(1.05)	(0.71)	(1.04)	(0.76)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share		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 31 DECEMBER 2004**

	Note	Consolidated Entity		Company	
		31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
		\$	\$	\$	\$
CURRENT ASSETS					
Cash	18	5,427	686,850	3,149	682,888
Other financial assets	7(b)	782,182	-	782,182	-
Receivables	4	61,518	32,823	58,002	17,935
TOTAL CURRENT ASSETS		849,127	719,673	843,333	700,823
NON CURRENT ASSETS					
Receivables	5	500	19,266	500	19,266
Property, plant and equipment	6	53,979	61,886	53,979	61,886
Other financial assets	7(a)	-	573,827	500,172	1,214,019
Investments accounted for using equity method	8	500,072	640,092	-	-
Internet technologies					
Prepaid classification works	9	-	-	-	-
Other development works	9	-	56,214	-	56,214
Intangibles	10	2,070	2,070	-	-
TOTAL NON CURRENT ASSETS		556,621	1,353,355	554,651	1,351,385
TOTAL ASSETS		1,405,748	2,073,028	1,397,984	2,052,208
CURRENT LIABILITIES					
Payables	11	321,949	129,733	321,737	129,406
Provisions	12	16,050	15,309	16,050	15,309
TOTAL CURRENT LIABILITIES		337,999	145,042	337,787	144,715
NET ASSETS		1,067,749	1,927,986	1,060,197	1,907,493
EQUITY					
Contributed equity	13	16,414,372	16,414,372	16,414,372	16,414,372
Accumulated losses	14	(15,346,623)	(14,486,386)	(15,354,175)	(14,506,879)
TOTAL EQUITY		1,067,749	1,927,986	1,060,197	1,907,493

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

**STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2004**

	Note	Consolidated Entity		Company	
		31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		31,333	21,730	744	-
Payments to suppliers and employees		(497,488)	(454,101)	(465,215)	(431,687)
Dividends received		25,772	-	25,772	-
Interest received		6,597	35,860	6,597	35,860
Interest paid		-	(22)	-	(22)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(433,786)	(396,533)	(432,102)	(395,849)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant and equipment		-	(7,043)	-	(7,043)
Payments for Internet Technologies		-	(26,133)	-	(24,063)
Payments for investments in listed securities		(368,844)	(21,039)	(368,844)	(21,039)
Proceeds from sale of investments		121,207	-	121,207	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(247,637)	(54,215)	(247,637)	(52,145)
NET DECREASE IN CASH ASSETS HELD		(681,423)	(450,748)	(679,739)	(447,994)
Add opening cash assets brought forward		686,850	1,695,962	682,888	1,692,619
CLOSING CASH ASSETS AT END OF PERIOD	18	5,427	1,245,214	3,149	1,244,625

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004

1. BASIS OF PREPARATION

This general purpose financial report for the interim half-year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This report has been prepared on a going concern basis as the Directors believe that the share investments held by the Company of \$782,183 (excluding the investment in Associated entity, Altera Capital Limited, which is currently suspended from ASX) at Balance Date can be liquidated in order to meet the working capital requirements of the Company in future periods. Furthermore, the Company is currently in discussions with Data Base Limited with respect to the Portal Classification Agreement with a view to either re-negotiating its terms or seeking a mutually acceptable early termination which will be subject to shareholder approval - the Directors believe that the terms of any such settlement/termination is likely to involve the Company paying a consideration significantly below the balance of the cash commitments owing to Data Base and is likely to involve the issue of shares or a combination of shares and cash, to preserve the liquid assets of the Company.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted in the preparation of this Half Year Report are consistent with those adopted and disclosed in the financial statements for the year ended 30 June 2004.

Comparatives in relation to items appearing on the Statement of Financial Position are as at the last balance date, being 30 June 2004. Comparatives in relation to items appearing on the Statement of Financial Performance are for the previous corresponding period, being for the half year ended 31 December 2003.

1.1 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 AASB 112 "Income Tax", 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 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 PERIOD ENDED 31 DECEMBER 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	
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
	\$	\$	\$	\$
(a) Operating revenue				
Sales revenue	17,133	13,971	744	-
Other revenue				
Interest received - other	6,597	35,860	6,597	35,860
	<u>23,730</u>	<u>49,831</u>	<u>7,341</u>	<u>35,860</u>
(b) Non-operating revenue				
Dividends from shares	17,627	-	17,627	-
Proceeds from sale of investments	121,207	-	121,207	-
	<u>138,834</u>	<u>-</u>	<u>138,834</u>	<u>-</u>
Total revenue	<u>162,564</u>	<u>49,831</u>	<u>146,175</u>	<u>35,860</u>
(c) Expenses				
Cost of sales	93,269	5,150	61,739	2,379
Operating expenses				
Classification and development works	1,077,853	620,152	1,077,853	620,152
Occupancy costs	13,461	13,673	13,461	13,673
Finance costs	885	1,506	841	1,434
Borrowing costs - interest paid	-	22	-	22
Administration costs				
Communications	5,436	11,026	5,436	11,026
Consultancy fees	36,973	30,462	36,973	30,462
Corporate costs				
Costs in relation to share investments	183,256	-	183,256	-
Professional Fees	-	8,502	-	8,502
Cost of shares sold	116,202	-	116,202	-
Depreciation - property, plant and equipment	7,907	10,674	7,907	10,674
Personnel costs	117,093	148,448	117,093	148,448
Provision for employee benefits	740	8,283	740	8,283
Provision for diminution - share investments	21,444	(162,266)	161,464	(203,367)
Provision/(write back) for non recovery	-	-	2,455	(21,729)
Write back of Internet Technology	(814,323)	-	(814,323)	-
Other corporate expense	22,585	24,205	22,374	24,005
Equity share of Associate's losses	276,526	47,811	-	-
Write back of provision for diminution in value of investment in Associate	(136,506)	(142,060)	-	-
	<u>1,022,801</u>	<u>625,588</u>	<u>993,471</u>	<u>653,964</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):	Share investments	5,005	-	5,005	-
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4. CURRENT RECEIVABLES

	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Amounts receivable from				
Trade debtors	688	14,489	-	-
Sundry debtors	42,267	8,544	42,267	8,145
Goods and services tax recoverable	18,563	9,790	15,735	9,790
	<u>61,518</u>	<u>32,823</u>	<u>58,002</u>	<u>17,935</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

5. NON - CURRENT RECEIVABLES	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Bonds and guarantees	500	19,266	500	19,266

6. PROPERTY, PLANT AND EQUIPMENT	Consolidated Entity		
	Plant and Equipment	Leasehold Improvements	Total
	\$	\$	\$
Gross Carrying Amount			
Balance at 30 June 2004	154,315	21,788	176,103
Additions	-	-	-
Balance at 31 December 2004	154,315	21,788	176,103
Accumulated Depreciation			
Balance at 30 June 2004	(103,248)	(10,969)	(114,217)
Depreciation expense	(7,093)	(814)	(7,907)
Balance at 31 December 2004	(110,341)	(11,783)	(122,124)
Net Book Value			
As at 30 June 2004	51,067	10,819	61,886
As at 31 December 2004	43,974	10,005	53,979

Company			
Gross Carrying Amount			
Balance at 30 June 2004	154,315	21,788	176,103
Additions	-	-	-
Balance at 31 December 2004	154,315	21,788	176,103
Accumulated Depreciation			
Balance at 30 June 2004	(103,248)	(10,969)	(114,217)
Depreciation expense	(7,093)	(814)	(7,907)
Balance at 31 December 2004	(110,341)	(11,783)	(122,124)
Net Book Value			
As at 30 June 2004	51,067	10,819	61,886
As at 31 December 2004	43,974	10,005	53,979

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

7. OTHER FINANCIAL ASSETS

(a) Non-Current

Investments comprise:

Shares and options in listed companies - at cost
 Shares in associated companies - at cost (Note 8)
 Shares in controlled entities - at cost
 Less: Provision for diminution

	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Shares and options in listed companies - at cost	-	770,132	-	770,132
Shares in associated companies - at cost (Note 8)	-	-	1,289,816	1,289,817
Shares in controlled entities - at cost	-	-	100	100
Less: Provision for diminution	-	(196,305)	(789,744)	(846,030)
	-	573,827	500,172	1,214,019
Market value of investments at balance date:				
Shares in listed companies	-	583,827	-	923,876

(i) Investment in Controlled Entities

Virtual Web Pty Ltd

Incorporated in Australia, on 28 November 2002.

This company is currently engaged in providing Virtual Web services.

Percentage of Ownership

	31 Dec 04	30 Jun 04
Virtual Web Pty Ltd	100%	100%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

7. OTHER FINANCIAL ASSETS (continued)

	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
(b) Current				
Investments comprise:	\$	\$	\$	\$
Shares and options in listed companies - at cost	999,932	-	999,932	-
Less: Provision for diminution	(217,750)	-	(217,750)	-
	<u>782,182</u>	<u>-</u>	<u>782,182</u>	<u>-</u>
Market value of investments at balance date:				
Shares in listed companies	782,182	-	782,182	-

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Name of Associate Entity	Principal Activity	Ownership Interest	Consolidated Carrying Amount	
			31 Dec 04	30 Jun 04
Altera Capital Ltd (formerly Bigshop.com.au Ltd)	Software development, IT consultancy and investment management	32.25%	\$ 500,072	\$ 640,092

Movement in Investment in Associate

Equity accounted amount of investment at the beginning of the financial period	640,092	705,866
Share of losses from ordinary activities before income tax expense	(276,526)	(391,756)
Share of income tax expense related to ordinary activities	-	-
Write back of provision for diminution in value	136,506	325,982
Equity accounted amount of investment at the end of the financial period	<u>500,072</u>	<u>640,092</u>
Directors' valuation (as no "market value" due to ASX suspension)	<u>500,072</u>	<u>640,092</u>

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 2004: 32.25%) of AEA's issued share capital and its last traded price on the 12 June 2003 is not necessarily indicative of the value of such a significant strategic parcel of shares at Balance Date.

The Company's share of the net asset value of AEA at 31 December 2004 was significantly in excess of the last traded ASX price of 1.70 cents per share. As at 31 December 2004, AEA's net tangible asset ("**NTA**") backing was 2.5 cents per share (30 June 2004: 4.1 cents per share) at consolidated level and 2.5 cents per share (30 June 2004: 3.2 cents per share) at company level - the Company's investment in AEA valued at such NTA backings would equal \$500,072 (30 June 2004: \$820,117 at consolidated NTA backing and \$640,092 at company NTA backing).

In light of the above, the Directors are of the opinion that a fair recoverable and "market" value of the investment in AEA is \$500,072 (or 2.5 cents per share).

Summarised Financial Position of Associate

	31 Dec 04	30 Jun 04
Current assets:	\$	\$
Cash	10,669	604,350
Receivables	121,055	64,308
Non-current assets:		
Property, plant and equipment	3,312	5,340
Other financial assets	2,365,072	2,397,131
Current liabilities:		
Payables	(882,904)	(479,675)
Provisions	(48,099)	(37,886)
Net assets	<u>1,569,105</u>	<u>2,553,568</u>
Net losses	<u>(857,361)</u>	<u>(1,242,801)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

9. INTERNET TECHNOLOGIES	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
(a) Prepaid Classification Works	3,871,881	4,742,417	3,871,881	4,742,417
Recoverable Amount Written Down	(3,871,881)	(4,742,417)	(3,871,881)	(4,742,417)
Total Prepaid Classification Works	-	-	-	-
(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	156,153
Recoverable Amount Written Down	(156,183)	(156,183)	(156,183)	(156,153)
(iii) Classification Works	4,178,428	4,178,428	4,178,428	4,178,428
Recoverable Amount Written Down	(4,178,428)	(4,122,214)	(4,178,428)	(4,122,214)
	-	56,214	-	56,214
Total Portal Technology Development Works	-	56,214	-	56,214
Summary of Portal Technology				
Prepaid Classification Works	3,871,881	4,742,417	3,871,881	4,742,417
Category Works	30,877	30,877	30,877	30,877
Portal Delivery System Development Works	156,183	156,183	156,183	156,153
Classification Works	4,178,428	4,178,428	4,178,428	4,178,428
Accumulated write-downs	(8,237,368)	(9,051,691)	(8,237,368)	(9,051,661)
Total Portal Technology	-	56,214	-	56,214
Virtual Web development works				
Virtual Web development works	98,365	98,365	98,365	98,365
Recoverable Amount Written Down	(98,365)	(98,365)	(98,365)	(98,365)
Total Development Works	-	56,214	-	56,214

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 period, the Company received a total of 272,230 (31 Dec 2003: 151,521) classified business-related website URL's from Data Base Systems Ltd at a cost of \$1,064,698 (31 Dec 2003: \$526,077), comprising:

- (i) \$870,537 (31 Dec 2003: \$451,900) drawn-down from prepayments of \$10,060,340; and
- (ii) a cash component of \$194,161 (31 Dec 2003: \$74,177)

The Company incurred total Portal technology classification and development works expenses of \$1,077,853 (31 Dec 2003: \$620,152) during the financial period, including the above costs.

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 fully written down (expensed) (30 June 2004: \$56,214).

The Company has also entered into an agreement to commercially exploit a web based personalisation and information retrieval software programme that has been developed by Mr Farooq Khan, a director of the Company.

This agreement provides that the Company will expend an initial amount of \$145,000 towards the development, marketing and promotion of this programme. 100% of all revenues generated from the sale of this software shall be for the benefit of the Company until all monies applied by the Company have been repaid. Thereafter all profits shall be split between the parties on a 50:50 basis.

As at 31 December 2004 the Company had incurred approximately \$100,000 in costs in relation to this agreement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

10. NON-CURRENT INTANGIBLES	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Internet website	2,070	2,070	-	-
11. CURRENT PAYABLES	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Trade creditors	42,880	3,337	42,668	3,337
Other creditors and accruals	146,031	40,056	146,031	39,729
Payables on purchase of investments	-	22,842	-	22,842
Amounts due to Directors and Director Related Entities	127,482	57,942	127,482	57,942
Unmarketable parcel trust account	5,556	5,556	5,556	5,556
	321,949	129,733	321,737	129,406
12. NON-CURRENT PROVISIONS				
Provision for employee entitlements	16,050	15,309	16,050	15,309
Number of employees (including Executive Directors and Officers) at Balance Date	4	5	4	5
13. CONTRIBUTED EQUITY	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
(a) Issued and Paid-Up Capital				
81,593,281 fully paid ordinary shares (30 June 2004: 81,593,281)	16,414,372	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.				
14. ACCUMULATED LOSSES	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Balance at beginning of the period	(14,486,386)	(12,894,011)	(14,506,879)	(12,862,315)
Net loss for the first half of the financial year	(860,237)	(575,757)	(847,296)	(618,104)
Net loss for the second half of the financial year		(1,016,618)		(1,026,460)
Balance at end of financial period	(15,346,623)	(14,486,386)	(15,354,175)	(14,506,879)
15. LOSSES PER SHARE	Consolidated Entity		Company	
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
Basic loss per share (cents)	(1.05)	(0.71)	(1.04)	(0.76)
Net Loss	(860,237)	(575,757)	(847,296)	(618,104)
Weighted average number of ordinary shares outstanding during the period used in calculation of basic earnings per share	81,593,281	81,593,281	81,593,281	81,593,281

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

16. EXPENDITURE COMMITMENTS

	Consolidated Entity		Company	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Cash Contractual Commitments				
Not longer than one year	635,662	566,241	635,662	566,241
Longer than one year and not longer than 2 years	211,887	471,868	211,887	471,868
	<u>847,549</u>	<u>1,038,109</u>	<u>847,549</u>	<u>1,038,109</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 9 of the Financial Statements for more details about the nature of the agreement and contractual commitments therein.

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 which will be subject to shareholder approval.

17. SEGMENT REPORTING

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

	External Revenue		Operating Results	
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
	\$	\$	\$	\$
Segment Revenues & Results				
Internet Technologies	17,133	13,971	(339,666)	(611,311)
Investments	138,834	-	(322,088)	256,515
	<u>155,967</u>	<u>13,971</u>	<u>(661,754)</u>	<u>(354,796)</u>
Unallocated	6,597	35,860	(198,483)	(220,941)
	<u>162,564</u>	<u>49,831</u>		
Loss from ordinary activities before income tax			(860,237)	(575,737)
Income tax expense relating to ordinary activities			-	-
Loss from ordinary activities after income tax			<u>(860,237)</u>	<u>(575,737)</u>

	Assets		Liabilities	
	31 Dec 04	30 Jun 04	31 Dec 04	30 Jun 04
	\$	\$	\$	\$
Segment Assets & Liabilities				
Internet Technologies	2,757	72,773	(170,150)	(28,000)
Investments	1,282,254	1,222,063	-	(22,842)
	<u>1,285,011</u>	<u>1,294,836</u>	<u>(170,150)</u>	<u>(50,842)</u>
Unallocated	120,737	778,192	(167,849)	(94,200)
	<u>1,405,748</u>	<u>2,073,028</u>	<u>(337,999)</u>	<u>(145,042)</u>

	Internet Technologies		Investments	
	31 Dec 04	31 Dec 03	31 Dec 04	31 Dec 03
	\$	\$	\$	\$
Other Segment Information				
Carrying value of investments accounted for using the equity method	-	-	500,072	800,115
Share of net losses of associate company accounted for under the equity method	-	-	(276,526)	(47,811)
Acquisition of segment assets	-	-	(346,001)	(21,039)
Other non-cash expenses				
Write back of Internet Technology	814,323	-	-	-
Diminution of segment assets			(21,444)	162,266

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004**

18. STATEMENTS TO CASH FLOWS

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 period as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated Entity			Company		
	31 Dec 04	30 Jun 04	31 Dec 03	31 Dec 04	30 Jun 04	31 Dec 03
	\$	\$	\$	\$	\$	\$
Cash at bank	5,427	686,850	150,084	3,149	682,888	149,495
Bank bills	-	-	1,095,130	-	-	1,095,130
	<u>5,427</u>	<u>686,850</u>	<u>1,245,214</u>	<u>3,149</u>	<u>682,888</u>	<u>1,244,625</u>

19. GAIN/LOSS OF CONTROL OF ENTITIES

There were no entities over which control had been gained or lost by the Consolidated Entity during the financial half year.

20. CONTINGENT LIABILITIES

Rivkin Financial Services Limited Related Litigation

In June 2004, Fast Scout Limited ("**FSL**") undertook an investment in Rivkin Financial Services Limited ("**RFS**"). FSL currently has 846,101 shares in RFS (or 0.843% of its current issued capital).

On 14 July 2004, RFS commenced proceedings in the Federal Court of Australia in Sydney against SOF, Fast Scout Limited ("**FSL**") and Altera Capital Limited ("**AEA**") for conduct allegedly contrary to the insider trading provisions of the Corporations Act (in relation to the three companies' acquisition of RFS shares comprising their initial aggregate 5% interest in the Company).

As part of the defence of the action, SOF, FSL and AEA commenced cross-claims against RFS and Network Limited ("**Network**"), Cole Kablow Superannuation Pty Ltd ("**Cole Kablow**"), Alan Davis Group Pty Ltd ("**ADG**") and former RFS Managing Director, Alan Andrew Davis.

Justice Emmett handed down his judgment on 26 November 2004. Justice Emmett dismissed the claim made by RFS against SOF, FSL and AEA and SOF, FSL and AEA's cross-claims against RFS and the other cross-defendants.

On 10 December 2004, Justice Emmett made the following orders as to costs:

- (a) In relation to the claim brought by RFS against SOF, FSL and AEA, the Court awarded costs to the defendants on a "party-party" basis;
- (b) In relation to the cross claims brought by SOF, FSL and AEA, Fast Scout and Altera Capital to pay all of RFS' and the other cross defendants' costs on an "indemnity basis" provided such costs have been reasonably incurred.

On 17 December 2004, SOF, FSL and AEA lodged an appeal against that part of the decision of Justice Emmett dismissing their cross-claim against each of RFS and the other cross defendants. The appeal covers a number of the findings made by Justice Emmett in his reasons for decision including his decision on costs.

On 4 February 2005, SOF, FSL and AEA entered into a deed of settlement with each of Network and Cole Kablow to discontinue the appeals against and to settle the costs payable to each such party.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2004

20. CONTINGENT LIABILITIES (continued)

Under the deed of settlement with Network, SOF, FSL and AEA have paid \$350,000 to Network's solicitors to settle all costs of Network in relation to the proceedings. The settlement sum will be held on trust by Network's solicitors until the earlier of:

- (a) The Network general meeting to seek shareholder approval for Network to buy back and cancel approximately 10 million Network shares held by RFS; or
- (b) The RFS general meeting to seek shareholder approval for RFS to buy-back and cancel 9 million RFS shares held by Network (being held by no later than 31 May 2005),
(as announced by RFS and Network on 7 February 2005).

Under the deed of settlement with Cole Kablow, SOF, FSL and AEA has paid \$125,000 to Cole Kablow to settle all costs of Cole Kablow in relation to the proceedings.

The deeds of settlement preserves the continuation of the appeals against RFS, ADG and Alan Andrew Davis. In this regard, SOF, FSL and AEA have been advised by their solicitors that the appeal is unlikely to be heard until mid 2005. SOF, AEA and FSL are also negotiating with such parties with respect to the cost orders in the proceedings

The Company considers that, subject to the appeal, the net result of the above costs orders will be that SOF, FSL and AEA will be required to pay a portion of the costs incurred by RFS and the other cross defendants in the proceedings. Notwithstanding the appeal, the process of assessment of costs and, if required, Court taxation of costs may take some months to complete. The Directors are not currently able to specify with any degree of certainty the quantum of net costs it is required to pay the remaining cross defendants in accordance with the above cost orders, particularly in light of the appeal lodged by SOF, FSL and AEA.

The costs of SOF, AEA and FSL in relation to their investment in RFS (including payment of legal costs and the above settlement costs paid to Network and Cole Kablow) are shared between each company in proportion to each company's relative interest in their collective stake in RFS (currently 4,711,971 shares or 4.697% of RFS' issued share capital) - SOF's share is 67%; FSL's share is 18% and AEA's share is 15%.

21. SUBSEQUENT EVENTS

As detailed in Note 20 (Contingent Liabilities), on 4 February 2005 AEA, SOF and FSL entered into deeds of settlement with Network and Cole Kablow in relation to the RFS related litigation and SOF subsequently paid a total of \$475,000 pursuant to such deeds.

FSL's share of such costs will be \$85,500 - this has been reflected as "costs related to investments" in the half year ended 31 December 2004 and accounts payable ("Amounts due to Directors and Director Related Entities") as at Balance Date.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Fast Scout Limited made pursuant to sub-section 303(5) of the *Corporations Act 2001*, we state that:

In the opinion of the directors:

- (a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of their performance for the half year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board,



Farooq Khan
Chairman and Managing Director



Victor Ho
Executive Director

Perth, Western Australia

25 February 2005



STANTON PARTNERS

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF FAST SCOUT LIMITED

Scope

We have reviewed the financial report comprising the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes of Fast Scout Limited (the Company) for the half-year ended 31 December 2004 as set out on pages 10 to 22. The financial report includes the consolidated financial statements of the consolidated entity comprising the disclosing entity and the entities it controlled at the end of the half year or from time to time during the half year. The disclosing entity's directors are responsible for preparing a financial report that gives a true and fair view of the statement of financial position and performance, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", 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.

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian ethical pronouncements and the Corporations Act 2001. We have given the directors of the Company a written Auditor's Independence Declaration.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Fast Scout Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Litigation and Related Costs, and Going Concern

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

As referred to in note 20 on 10 December 2004 Justice Emmitt ordered that in relation to cross claims brought by the Company, Sofcom Limited ("SOF") and Altera Capital Limited ("ALT") against Rivkin Financial Services ("RFS"), Network Limited, Cole Cablow Superannuation Pty Ltd, Alan Davis Group Pty Limited and Andrew Davis, the cross claimants pay all of RFS' and the other cross defendants costs on an "indemnity basis" provided such costs are reasonably incurred.

On 17 December 2004, the Company, SOF and ALT lodged an appeal against that part of the decision of Justice Emmett dismissing their cross-claim against each of RFS and the other cross defendants.

The Company considers that, subject to the appeal, the net result of the above costs orders will be that the Company, SOF and ALT will be required to pay a portion of the costs incurred by RFS and the other cross defendants in the proceedings. Notwithstanding the appeal, the process of assessment of costs and, if required, Court taxation of costs may take some months to complete. The Directors are not currently able to specify with any degree of certainty the quantum of net costs it is required to pay the remaining cross defendants in accordance with the above cost orders, particularly in light of the appeal lodged by the Company, ALT and SOF.

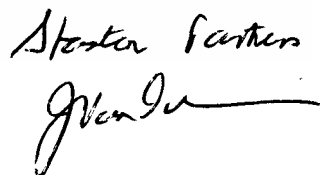
On 4 February 2005 the Company, SOF and ALT entered into deeds of settlement with Network and Cole Kablo in relation to the RFS related litigation and SOF subsequently paid a total of \$475,000 pursuant to such deeds. The Company's share of these costs as disclosed in note 21 have been provided for in the half year report.

The deeds of settlement preserves the continuation of the appeals against RFS, Alan Davis Group Pty Limited and Alan Andrew Davis. In this regard, the Company, ALT and SOF have been advised by their solicitors that the appeal is unlikely to be heard until mid 2005. The Company, SOF and ALT are also negotiating with such parties with respect to the cost orders in the proceedings

As referred to above, the directors are unable to assess with any acceptable degree of certainty the quantum of net costs it is required to pay, and accordingly no further provision for any liabilities or other adjustments have been made in the financial statements.

The consolidated entity incurred a loss for the period of \$860,236. Furthermore the consolidated entity has significant cash contractual commitments as set out in notes 9 and 16. Note 1 states that the financial report has been prepared on a going concern basis which assumes that the Company can continue operating and pay its debts as and when they become due and payable. The ability of the Company to continue as a going concern is largely dependant on the Company being able to liquidate its share investments at their current value and to successfully renegotiate its Portal Classification Agreement as set out in note 1. If the Company is unable to continue as a going concern it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts that may materially differ from those stated in the financial report.

STANTON PARTNERS



J P Van Dieren
Partner

West Perth, Western Australia
28 February 2005



STANTON PARTNERS

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28 February 2005

Board of Directors
Fast Scout Ltd
Level 14 Forrest Centre
221 St Georges Terrace
PERTH WA 6000

Dear Directors

RE: FAST SCOUT LTD

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Fast Scout Ltd.

As Audit Partner for the review of the financial statements of Fast Scout Ltd for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

STANTON PARTNERS

John Van Dieren
Partner