Cosmos Limited

ACN 000 091 305

Chairman's Report

Cosmos Limited has continued its transformation and maturation as a leading provider of transaction processing and point of sale solutions. In challenging trading conditions, many company opportunities are reaching economic levels, while ongoing revenue streams and products are increasingly stable.

Against this business background, revenues were $14.7m, a 123% improvement over the prior year, while the loss for the year rose to $17.6m (2001 $8.2m). After taking our $8.3m write down of intangibles the loss before interest, tax, depreciation and amortisation of $6.2m was comparable with the prior year.

Much of this revenue increase reflects the first full year's results of Surefire retail solutions and Cosmos E-C Commerce payments. EBITDA returns will come as these developing businesses reach economic levels.

During the year Cosmos completed a rights issue raising over $3.5 million. The issue was strongly supported by our major shareholders, some of whom subscribed for additional shares over and above their initial entitlement. We continue to enjoy the support of those shareholders today.

The Board of Directors continued its focus on the Group's ongoing transformation into an electronic commerce business. This restructuring has gathered pace under the leadership of our new Managing Director, Mr Robert Tynan, who joined the Cosmos team at the end of May. His review of the Group indicates that restructuring will be ongoing until a consistently profitable business emerges. Directors are pleased to note the reduced 'cash burn' from operations in the last quarter of the financial year.

The second half of the year was particularly challenging as major customers and customer groups extended decision-making lead times, delaying delivery schedules that resulted in sales targets being missed by $7.0m. Much of this business will be recovered in the coming financial year and it is important to note that sales in the first months of the current year are above target.

After reviewing operating results for the year, the Directors, with their advisers, re-appraised the carrying values of intangibles - goodwill and intellectual property. Adequate support could not be found for these values and Directors concluded that it would be prudent to write them down to better reflect the future economic benefits arising from existing business and customer relationships. Accordingly, $8.3m was charged to the year's profit and loss account to give a loss from ordinary activities of $17.6m. Such a step has no impact on the Group's cash flow.

The Group's retail solutions and electronic payments solutions continue to offer exciting prospects, with the latter being well received by many customers. Developments in each business stream are providing strong fresh opportunities for one division to profitably support the other.

Our retail solutions division performed more strongly, achieving revenues of $12.8m, a 100% increase. The year's restructuring of our electronic payments business has been successful and this division is now breaking even, with an encouraging 300% increase in transactions processed. Recent changes in the Reserve Bank of Australia's regulation of credit card transactions will provide further growth opportunities in electronic payments processing.

With a sound pipeline of new business prospects and embedded revenues of $8m in hand, Directors believe that the solid performance of the first two months of the new financial year will continue.

On behalf of the Board, I thank all Cosmos' people, customers, suppliers and shareholders for their efforts and support over the past year.

Managing Director's Report

Prior to joining Cosmos Limited in late May 2002, I was impressed with the Board of Directors' vision for the businesses under the Cosmos Limited banner. These business streams had significant synergies which were readily visible and yet to be harvested.

Cosmos is Australia's leading provider of transaction processing and point of sale solutions, with one of the retail sector's largest "points of presence". Our payments division, Cosmos E-C Commerce, is one of Australia's principal providers of invoice management and electronic payments processing services.

I am pleased to be on board with the Cosmos team, setting new directions and working with the Board and our employees towards further developing our vision of being a key solutions provider to the retail marketplace.

The company is becoming cashflow positive, evidencing that our strategy is on target and that we have a sound foundation in place for an integrated business going forward. At present we are exceeding sales targets and working to meet profit targets for all business streams, implementing a new profitability plan to be completed by mid 2003.

Payments Division

Cosmos E-C Commerce is a focused and well-managed business with a clear understanding of its strengths and its markets. Our restructuring of our electronic payments business this year has been successful and this business is now breaking even, with a 300% increase in transactions processed.

The division's exponential activity evidences the sector's phenomenal growth due to the strongly growing migration by consumers, businesses and financial institutions to use the internet, IVR (Interactive Voice Response) and account-to-account payment methods to manage their bills. Volumes of payments processed for real estate agents and corporate customers such as Dun & Bradstreet, Federal Express, Macquarie Bank, Express Data and Wella continue to grow.

Through its expanding real estate base, the E-C Commerce division has a solid foundation that enables it to pursue then convert major additional contracts. Real estate showed strong growth this year with the signing of several new franchises. We anticipate processing over one million real estate transactions in calendar 2002, representing approximately 5.5% of the yearly average national rent payments of $11.8 billion.

New corporate business clients include Macquarie Bank and Dun & Bradstreet. The division's proprietary SMS payment facility now coming on stream is, we believe, an Australian and world first.

Retail Division

The division performed strongly, with revenues of $12.8m, a 100% increase. Relationships with major customers like Australian Pharmaceutical Industries (API), Liquorland and Foodland continue to evolve strongly. Independent retailers are an increasingly important part of the division's customer base.

Our focus on retail solutions for pharmacies, liquor stores, supermarkets and specialty retailers; and electronic payments solutions, continue to offer exciting opportunities. The division's offerings of point of sale, back office and head office systems, together with related hardware, software and long-term support contracts, are achieving good customer acceptance. Further product improvements to meet customer requirements are well in hand.

For Retail Solutions, Pharmasol provides a parallel base to E-Commerce's real estate foundation, supplying electronic retail solutions to more than 35 per cent of Australia's retail pharmacies. The Pharmasol business base allows the Surefire business stream to pursue, then convert, major contracts.

Both of these Melbourne-based businesses required attention on my joining Cosmos. We are working on the Pharmasol business unit's pricing, IT offering and structured customer contact.

We are focusing on the Surefire business unit's continued development into the major retail sector, supporting the robust Liquorland and Foodland business offering and revitalising our grocery business stream. An updated newsagency product is in the pipeline, which will give access to another large target market. It is hoped that this new release will be available before the end of December 2002.

In a major development mid-2002, Retail Solutions, working alongside E-C Commerce, has licensed leading pharmaceutical wholesaler and marketing group operator Australian Pharmaceutical Industries ('API') to nationally implement its comprehensive new web site solution in retail pharmacies, while the division additionally provides electronic payment, support and hosting services. API serves more than 2,500 pharmacies nationally.

Taking over our own distribution arrangements in Western Australia and Queensland during the year will see further service and revenue increases.

Internal Restructuring

Joining Cosmos, some commercial issues needed to be addressed. This review is in progress, with the Board and management focusing on multiple financial systems, business planning, simplifying our business structure and developing a service versus manufacturing focus.

Flattening out our structure between the two divisions and their respective Sydney and Melbourne bases will facilitate a streamlined and better working environment. We are working on an integrated business & financial plan to enable the Cosmos E-C Commerce, Pharmasol and Surefire businesses to work cooperatively together. Early benefits are already showing through.

A new financial system goes live this month and will greatly improve both financial reporting and staff accountability.

Outlook

The Board and management see significant room to improve shareholder value in the next year.

We are continuing to make significant inroads into the non-banking sector for transactions solutions and electronic payments.

In August Cosmos acquired Cardlink's established Cardpay telephone based bill payment service, with its utility, local government and financial services customer base, which will bring the E-C Commerce division a 30% increase from September onward in transactional volumes, while dollar values processed will exceed $100 million per month. The acquisition makes Cosmos Australia's premier provider of call centre-based bill payment services.

The joint development of the "Medical Marketplace" which combines the strength of our pharmacy point of sale PoS business with our E Commerce business will give us significant upside for both data warehousing, as well as funds transfer. It will also herald the development of further large scale industry offerings.

As we become cashflow positive, our existing and new strategies are on target and provide a solid base for our newly integrated business to move forward into an exciting new phase.

Key Developments & Achievements

2001

September

- As the final step in integrating our retail solutions businesses Surefire Systems Pty. Limited and PharmaSol Pty. Limited, Cosmos implemented a plan to achieve a substantial financial performance improvement, focusing on the business delivering savings of over $2.0 million over a full year.

December

- As announced to shareholders at the AGM on November 21st, the company proposed a 1 for 3 non-renounceable Rights Issue at 8 cents.

2002

January

- Rights Issue extended to 25 January 2002. The extension recognised the technical delays to the opening of the Offer and the distractions and non-business days of this time of the year.

February

- Rights Issue closed.

March

- RE/MAX Australia Franchising Pty Ltd signed up to Cosmos E-C Commerce's rent payments processing service.
- Wholly owned subsidiary Pharmasol Pty Limited ('Pharmasol'), announced it would supply its point of sale products and services directly to retail pharmacy customers in Western Australia and Queensland.

April

- Signed Dun & Bradstreet, the world's largest provider of business to business credit, marketing and purchasing information, to implement a desktop credit and charge card processing facility to streamline the company's accounts receivable processes.
- Wholly owned subsidiary Surefire Systems ('Surefire'), signed a $5 million deal with Foodland Associated Limited ('Foodland') to provide the Foodland owned Action chain with fully automated PoS and back-office retail systems.

May

- Signed Di Jones Real Estate to the E-C Commerce rent payments processing service.
- Launched what is believed to be the world's first SMS Bill Reminder and Payment Service, in collaboration with mobile commerce solutions provider Mobile Corporation.
- Mr Robert Tynan appointed as Managing Director following Mr. Paul McGlone's resignation.
- Signed Harcourts Queensland Pty Ltd to the E-C Commerce rent payments processing service.

August
(after financial year end)

- Entered into a Heads of Agreement with Faulding Healthcare Pty Ltd, a subsidiary of Mayne Group Limited, to negotiate for purchase of the AMFAC point-of-sale and dispense system.
- Expanded services to Australian Pharmaceutical Industries ('API').
- Signed agreement to assume Cardlink's Cardpay Service. Cardlink established Cardpay in 1995 as a response to increasing demand within the utility, local government and financial services sectors for an easy-to-use telephone based bill payment service.

Payments Division

After our June 2001 acquisition of the E-C Commerce business, it has been a successful first year of operations. We have grown revenue considerably and reduced costs to levels consistent with revenue, to a point where in the year's final month we achieved EBITDA positive results.

Our focus has been on the delivery of a consistent, reliable and fully functional electronic bill presentment and payments service to our customers. Our infrastructure has been rationalised and enhanced so that we are now providing what industry statistics confirm are world best practice services levels, covering availability and reliability for transactions processing, prompt and professional call centre responses and breadth of processing capabilities.

We have spent significant efforts on educating the market on the capabilities of Cosmos E-C Commerce and the cost savings that our services provide to organisations that utilise them. Subsequently, we have won and implemented considerable business this year and built a healthy pipeline for this coming financial year.

As a result of these developments, the business is now on track to process in excess of $1.5 billion this calendar year. This expectation is underpinned by exceptional growth in the number of transactions processed on behalf of clients by our two, established core business channels, with transactions volume in the real estate channel growing year-to-year by 236% and in the corporate channel by 800%.

Core Business Channels

Our services are marketed through 3 business channels: Real Estate, Corporate and Pharmacy. Building the pipeline of opportunities in each business channel is positioning the division for good performances this coming financial year.

In our real estate market, residential rental tenancy transactions numbers are growing 4-5% month-on-month and this year brought on board new rental franchises such as Harcourts and ReMax. Under a new organisational structure, we are generating good returns and the new pricing structure we released this year has achieved broad market acceptance.

In our corporate channel, transactions volumes are growing 10-15% month-on-month and key corporate payment customers implemented this financial year include Macquarie Bank and Dun & Bradstreet.

We created a product package consolidating all methods of paying, payment types and banking connections. This is now being offered to financial institutions and corporates as a payment gateway for on-selling to their own clients, or for internal usage. Already, we have elicited a considerable level of interest in this product package from key institutions.

The Corporate channel has also expanded recently, as a result of the acquisition of the Cardpay operator-assisted bill payment service from market leader Cardlink.

We are currently developing a new Pharmacy channel in partnership with our sister division Pharmasol. Initially, this channel is offering payments capabilities to pharmacies, through adding new supplier payment features to our existing Point Of Sale product. We are anticipating strong growth for this new product, which combines our core competency of electronic bill processing payments with our new supply chain bill presentment payment service.

Among our series of products branded for the pharmacy market are PharmaLife, covering our post-year end contract with Australian Pharmaceutical Industries for a 600 industry website portal incorporating payments capabilities, and our Pharmacy Stream supply chain rationalisation/bill presentment and payment service. Further products are in development for the healthcare sector.

New Product Development

We attach significant importance to new product development as a strategy to help differentiate us in the market. To that end, we have continued to develop and market a comprehensive payments gateway, which is provided as an outsourced solution or as a custom-branded solution. In the real estate channel, we have extended our current residential tenancy payments services into the commercial sector for tenancy, franchisee and franchisor payments.

Additionally, we launched a new SMS Remind and Pay payments channel, which we believe is a world first and which has already won both sales and market interest. Launched initially into the real estate sector, this new payment channel was, and is now, being developed for wider application by the creation of an SMS Point-of-Sale system and an SMS Payment channel. Hand in hand with these developments, we have recently set up a new Emerging Technologies core channel to take these new services to the market.

Outlook

We are well positioned to be profitable in the year ahead, with the outlook positive on the back of substantial client wins and our ongoing and profitable new business pipeline. We anticipate continuing our rapid growth and maximising results month-by-month, through leveraging the reliability and cost-effectiveness of our payments offerings and breadth of services.

As the year progresses, we will focus on new industries and create additional business channels to achieve the full potential of those industries as we move forward and as we continue to develop a strong and resilient sales and marketing organisational culture.

Further afield, we are seeking out internationally based organisations to create an agent base for on-selling our capabilities and products into target countries and regions. Initial country targets include New Zealand, United Kingdom, Saudi Arabia and South Africa.

Retail Division

A year of consolidation for the Retail Solutions division has seen last year's Surefire acquisitions paying off in expanded capabilities that this year enabled us to strongly grow our business. The corporate segment delivered a solid year of growth while we had several successful rollouts to major retailers.

We successfully stabilised then re-released products offered to the pharmacy market, putting on a number of new sites. Sector consolidation activity in the pharmacy market continues the trend away from independents to group owned stores, resulting in larger companies leveraging combined business strengths. This trend is mirrored in the grocery sector, particularly in liquor, where buying up of smaller independents continues.

However, independent retailers will remain an important client group for the division. The year has seen us assume responsibility for our own distribution arrangements in Western Australia and Queensland, which will result in additional service and revenue improvements.

Internally, we are working closely with our E-C Commerce division to gain benefits from a flattened company structure, consolidating our two complementary businesses and back office functions. Externally, customers are benefiting from improved customer service levels and marketing support from this consolidated approach from a maturing organisation. Our renewed customer-focused approach will show results in the coming year after this internal work.

Pharmasol

With approximately one-third of the national pharmacy market's PoS terminals, Pharmasol is strongly focusing on its business relationships with the major wholesale industry players, as the trend towards retail pharmacy market consolidation continues.

Signing our comprehensive licensing agreement with API this year has strengthened our market leadership position and given us the backing of a major national group. Post year end, our Heads of Agreement with Mayne Limited to acquire its AMFAC business will result in our Pharmasol division servicing a significant component of the Australian pharmacy market.

We are progressing enhancements in our software to assist our customers to participate in a number of Government & HIC opportunities and initiatives. Developing capabilities within the existing information and database will allow Pharmacists to more easily expand their clinical impact into identifying and actively working with patients, General Practitioners and other Healthcare providers within some of these programs.

There are broad opportunities for Cosmos in the area of replacing pharmacies' existing DOS-based Point of Sale applications and cash registers. The new systems that we have developed have a number of built-in value features to support pharmacy customers in moving up to the next level of technology to support their businesses in years ahead.

Surefire

Surefire's first year, post-acquisition, has seen both some strong business wins and consolidation of the POS product. We have worked closely with corporate clients on stabilising the retail product, increasing its security and audit capabilities.

Selling the product to household name grocery retailers such as Coles Myer and Foodland has resulted in several successful roll-outs that ensure the product is now one of Australia's leading retail applications. Our rollout with the Liquorland chain of 550 stores nationally has been extremely successful.

Grocery market opportunities, now being converted post-year end, include account orders for Foodland, and in the replenishment of a number of Queensland's Franklins stores, with 635 re-branded POS terminals in 40 locations.

Outlook

We have set ourselves up in our Australian markets to be the leading force in retail software and anticipate that the year ahead will provide healthy returns, leveraging our significant internal restructuring and external customer and marketing focus after the acquisition of the Surefire business.

The AMFAC deal will make Cosmos Retail Solutions the largest retail provider of systems and software in Australia, covering a total of some 4,000 sites representing approximately 10,000 POS lanes. This is a huge opportunity for us to leverage our market position with suppliers and puts the division in good stead to identify and convert future large opportunities as these present themselves in the market.

We are well advanced in maximising the very strong opportunities and synergies that exist with the EC Commerce division. We will be leveraging payment opportunities with retail stores and jointly working actively on developing our revenues through this and other avenues.

We foresee a strong year ahead in as we bring on stream an increasing number of value-added sales for existing clients that will generate new business. The coming financial year should demonstrate strong growth, increasing revenues, reduced costs and improving profitability.

COSMOS LIMITED ABN 25 000 091 305
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

The directors present their report together with the financial report of Cosmos Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2002 and the auditor's report thereon.

Directors

The names of directors in office at any time during or since the end of the year are:

Mr. John B Burrows	(appointed 4 September 2001)
Dr. Robert F Tynan	(appointed 28 May 2002)
Dr. Henry Preston	(appointed 20 February 2002)
Mr. Peter G Noble	(resigned 20 February 2002)
Mr. Paul A McGlone	(resigned 29 May 2002)
Mr. Gary K Garton	(resigned 4 September 2001)

Principal Activities

The principal activities of the consolidated entity during the financial year were:

- Operating a retail technology business providing Point of Sale (PoS) software, hardware and support services to specialist retail industry sectors through its controlled entities PharmaSol Pty Ltd and Surefire Systems Pty Ltd; and
- Operating a transaction processing business providing electronic bill payment funds transfer and processing services.

Operating Results

The consolidated loss after extraordinary items and income tax amounted to \$17.6 million. It should be noted that included in this loss is the write down of goodwill and intellectual property amounting to \$8.3 million (after tax).

Dividends Paid or Recommended

No dividends have been paid or declared by the company to members since the end of the previous financial year.

Review of Operations

Cosmos Limited Group

The Company pursued two avenues of business; Retail Solutions and Transactions Processing. Funds raised during the year have been deployed in the operating businesses.

Retail Solutions

PharmaSol Pty Ltd is the market leader with 35% of the Australian pharmacy market in PoS and dispensing applications. It has a solid platform and a growing market share. Surefire Systems Pty Ltd, developers of solutions to the grocery, liquor and newsagency industries reinforces our presence in the retail solutions market and our ability to access specialised industry sectors. Surefire's expertise in software development and its existing contracts with corporate retailers have made it a valuable contributor to our entire retail technology business.

Transactions Processing

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

Significant Changes In State Of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

i. On 21st November 2001, the Company announced a private placement of 9,775,000 fully paid ordinary shares at $0.20 per share to raise $1,955,000 for working capital.

ii. On 20th December 2001, the Company announced a 1 for 3 non-renounceable rights issue at 8 cents per share to raise $4,743,414. This rights issue provided working capital necessary to fund the Company through its continuing development phase.

iii. The current period consolidated results include those of Cosmos E-C Commerce Limited and Surefire Systems Pty Limited. The acquisition of these companies took place in the second half of the year ended 30 June 2001. The combined financial impact of these companies is to decrease net assets by $3,815,998, and to increase revenue by $6,895,128.

iv. On 15 July 2000, Pharmasol Pty Limited issued 30,000 preference shares at an issue price of $100 for a total of $3,000,000. These convert to four Cosmos shares for each $1 of the issue price and expire on 10 July 2003, at which time the shares automatically convert. A 10% p.a. coupon rate is payable in Cosmos shares. During the current period, Cosmos issued 600,000 shares at $0.25 per share, 793,651 at $0.189 per share and 2,105,265 shares at $0.07125 per share in consideration for interest payable on these preference shares.

v. On 20th March 2002, the company announced the sign-up of RE/MAX Australia Franchising Pty Ltd to the rent payments processing service of subsidiary, Cosmos E-C Commerce Limited.

vi. On 26th March 2002, the company announced that wholly owned subsidiary Pharmasol Pty Limited (Pharmasol), would supply its PoS products and services directly to retail pharmacy customers in Western Australia and Queensland from 1st April 2002.

vii. On 5th April 2002, the company announced that it had signed Dunn & Bradstreet, the world's largest provider of business to business credit, marketing and purchasing information, to implement a desktop credit and charge card processing facility to streamline the company's accounts receivable processes.

viii. On 18th April 2002, the company announced that wholly owned subsidiary Surefire Systems, had signed a $5,000,000 deal with Foodland Associated Limited (Foodland) to provide the Foodland owned Action chain with fully automated PoS and back-office retail systems.

viiii. On 20th May 2002, the company announced that in collaboration with mobile commerce solutions provider, Mobile Corporation, it had developed what was believed to be the world's first SMS test messaging reminder and payment service.

x. On 28th May 2002, the Board of Directors announced the appointment of Dr. Robert F Tynan as Managing Director on 29 May 2002 following Mr. Paul A McGlone's resignation.

xi. During the year, shares were issued to certain unrelated parties in consideration for services rendered and fees due. Shares to the value of $398,996 were issued at $0.08 per share to meet obligations arising from, among other things, under subscription to the non-renounceable rights issue and consultancy fees related thereto, as well as other consultancy fees due.

After Balance Date Events

i. A claim of $505,000 made against PharmaSol Pty Ltd, a controlled entity, for alleged damages for breach of contract for the purchase of certain medical equipment has been settled by the purchase of $295,000 of medical equipment for resale in its PharmaSol operation.

ii. On 10 July 2002 the Company issued 2,586,207 fully paid ordinary shares valued at $150,000 in consideration for PharmaSol preference share interest payable to TDH No2 Investments Pty Ltd. for six months to 10 July 2002 as approved by shareholders at a General Meeting held 27th September 2000.

iii. On 12th August 2002, the Directors announced, that an agreement had been reached with the Company's former legal advisers to fully and finally settle outstanding fees and disbursements for certain legal services to the Company and its subsidiaries in return for the issue of 8,450,000 fully paid ordinary shares at $0.08 per share. Mr. Peter G Noble, a former partner in the law firm is a former director of the Company. Shareholder approval for the issue of these shares will be sought at the Company's annual general meeting.

iv. On 5th August 2002, the Board of Directors advised that the Company entered into a Heads of Agreement with Faulding Healthcare Pty Ltd, a subsidiary of Mayne Group Limited, to negotiate for purchase of the Amfac point-of-sale and dispense system. The board further advised that should this proceed; it would be a strategic acquisition that would add significant value to the company's Pharmasol division.

v. On 14th August 2002, the company announced that in conjunction with the strategic alliance formed last year with leading pharmaceutical wholesaler and marketing group operator Australian Pharmaceutical Industries (API), it would expand its service offering to API through a new agreement.

vi. On 21st August 2002 the Board of Directors announced that the Company would acquire the Cardpay Service currently provided by Cardlink. Cardlink established the Cardpay Service in 1995 as a response to increasing demand within the utility, local government and financial services sectors for an easy-to-use telephone based bill payment service.

Future Developments

The Board and management see significant room to improve shareholder value in the next year.

We are continuing to make significant inroads into the non-banking sector for transactions solutions and electronic payments.

With the acquisition in August of Cardlink's established Cardpay telephone based bill payment service for utility, local government and financial services customer base it is anticipated that transactional volumes for the E-C Commerce division from September 2002 will increase by 30% and dollar values processed should exceed $100 million per month. The acquisition makes Cosmos Australia's premier provider of call centre-based bill payment services.

The joint development of the "Medical Marketplace" which combines the strength of our pharmacy PoS business with our E Commerce business will give us significant upside for both data warehousing, as well as funds transfer. It will also herald the development of further large scale industry offerings.

These developments and our existing and new strategies are on target and provide a solid base for our newly integrated business to move forward into an exciting new phase.

Environmental Regulations

The consolidated entity's operations are not subject to significant environmental regulation under the law of the Commonwealth and States. However the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Information On Directors

John B Burrows	—	Chairman (Non-executive director) appointed 4 September 2001
Qualifications	—	Bachelor of Commerce from the University of Melbourne, a Fellow of the Institute of Chartered Accountants in Australia, and a member of the Australian Institute of Company Directors.
Experience	—	Chairman of Recruitment Solutions Limited and a Director of Solution 6 Holdings Limited, formerly a Director of Rothschild Australia Asset Management Limited. Formerly a Chartered Accountant with broad experience as a financial consultant, accountant and auditor. He has worked on manufacturing, retailing, oil production and service, banking and insurance broking assignments in Spain, Portugal, Singapore, Malaysia, The Philippines, Thailand, Indonesia, Hong Kong, as well as Australia and New Zealand. He was a Trustee of the Committee for Economic Development of Australia and a member of that organisation's Board of Directors. John remains an honorary trustee of that organisation. He was also a Governor of The Sydney Institute and a member of the Board of The Bell Shakespeare Company.
Interest in Shares and Options	—	197,000 fully paid ordinary shares
Special Responsibilities	—	Chairman of the Audit Committee.
Robert F Tynan	—	Executive director appointed 28 May 2002
Qualifications	—	Bachelor of Medicine & Bachelor of Surgery (MB BS) from the University of New South Wales; Masters in Business Administration (MBA) from the Macquarie University
Experience	—	Appointed Managing Director May 2002. Prior to joining the Company Dr. Tynan began in a medicine practice as the Rehabilitation Registrar at the Royal North Shore Hospital in Sydney in 1983. Following this he joined Grace Bros. After completing his MBA he joined Lend Lease in their emerging communications division. He managed the creation of SITEL New Zealand where he was the foundation CEO and CIO. He moved to Detroit in February 1999 for SITEL Asia Pacific to complete contract negotiation, signing and managed the creation and delivery of a US$650million 5-year outsourcing contract with General Motors. In July 2000, he joined Combined Communications Network (CCN) as CEO and Managing Director. There he completed the Due Diligence and Prospectus Creation Process, leading the company to an over subscribed listing on the Australian Stock Exchange in November 2000.
Interest in Shares and Options	—	Nil
Special Responsibilities	—	Managing Director

Henry Preston	—	Non executive director appointed 20 February 2002
Qualifications	—	Bachelor of Medicine & Bachelor of Surgery Melbourne University MB BS FRCPA MIAC AIMM
Experience	—	Dr. Preston is a specialist medical practitioner in the field of Pathology. He also has a background in accounting, and a small business both in retail and manufacturing. During the 1990's he was Managing Director of Hitech Pathology in Melbourne which was the fastest organically growing business of its kind in Australia year on year. Following the sale of his business in 2000, Dr Preston was CEO of the merged Hitech and Melbourne Pathology businesses with a combined staff of 1000 and turnover of approx. $80 million until his resignation in 2001.
Interest in Shares and Options	—	5,350,000 fully paid ordinary shares
Special Responsibilities	—	Audit Committee

Peter G Noble	—	Non-executive director resigned 20 February 2002
Qualifications	—	Bachelor of Commerce and Bachelor of Law from University of Sydney
Experience	—	Board member since 1997, Chairman on two prior occasions. Partner in law firm Coudert Brothers.
Interest in Shares and Options	—	85,000 fully paid ordinary shares, 1,000,000 options exercisable at $0.30 expiring 17 October 2003 and 1,666,667 fully paid ordinary shares held on escrow to 24 May 2003.
Special Responsibilities	—	Mr. Noble was a Member of the Audit Committee.
Interest in Contract	—	Coudert Brothers, a law firm which Mr. Noble was formerly a Partner, provided legal services to the consolidated entity during the year.

Paul A McGlone	—	Managing Director (Executive) resigned 29 May 2002
Qualifications	—	MBA from University of New England
Experience	—	Board member since March 2000. Appointed Managing Director March 2000. Prior to joining the Company Mr. McGlone was responsible for Retail Strategy and Business Development at Australia's largest electricity retailer. His focus was the development of strategies, alliances and joint ventures to bolster the company's performance prior to the mass market becoming contestable. Mr. McGlone also spent over 10 years in the professional services business working with major multinational companies and consulting groups. Prior to his appointment as Managing Director, he had a working relationship with the Company for over 4 months, conducting due diligence on target companies on behalf of the Board.

Gary K Garton	—	Non executive director resigned 4 September 2001
Qualifications	—	Bachelor of Commerce from the University of Melbourne
Experience	—	Board member since 1997, Mr. Garton was appointed as executive Director of the Company in March 1997 and Chairman in November 1997.
Special responsibilities	—	Nil

Directors' and Executive Officers' Emoluments

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The Non-Executive Directors have again agreed not to take fees during the past financial year.

The remuneration structure for executive officers, including executive directors, seeks to emphasise payment for results through providing various reward schemes based on performance, for example the incorporation of incentive payments based on the achievement of sales targets.

The objective of the reward schemes is to both reinforce the short and long term goals of the consolidated entity and to provide a common interest between management and shareholders.

The emoluments of each Director and each of the five executive officers receiving the highest emoluments are as follows:

	Salary	Superannnuation Contributions	Non-Cash Benefits	Total
	$	$	$	$
DIRECTORS				
Mr J B Burrows	-	-	-	-
Dr. R. Tynan	25,000	2,000	-	27,000
Dr. H. Preston	-	-	-	-
Mr P McGlone	431,666	15,333	-	446,999
Mr G Garton	-	-	-	-
Mr P Noble	-	-	-	-
EXECUTIVE OFFICERS				
(excluding directors)				
The Company				
Mr S M Healy	223,633	7,336	15,726	246,695
Consolidated Entity				
Mr P Maryanka	273,019	8,803	-	281,822
Mr S M Healy	223,633	7,336	15,726	246,695
Mr A Picard	150,000	8,803	43,005	201,808
Mr K Lianeas	177,278	8,803	-	186,081
Mr D Corrigan	158,032	8,803	-	166,835

Options Issued

During or since the end of the financial year, the Company did not grant any options over un-issued ordinary shares to officers as part of their remuneration.

At the date of this report unissued ordinary shares of the Company under option are:

Options *(description and conversion factor)*	#	*Exercise price*	*Expiry date*
Options over (1) un-issued ordinary share	2,000,000	**$0.23**	31/01/03
	240,000	**$0.50**	01/04/04
	1,920,000	**$0.50**	27/05/04
	5,500,000	**$0.25**	17/10/03
	5,500,000	**$0.30**	17/10/03
	1,000,000	**$0.30**	22/03/04
	4,000,000	**$0.40**	22/03/04
	4,000,000	**$0.40**	26/04/04
	1,000,000	**$0.40**	14/06/03
	2,000,000	**$0.25**	18/05/03
	2,000,000	**$0.40**	18/05/05
Exercised during current period	-	**-**	-
Expired during current period	7,795,000	**$0.40**	09/04/02
	1,000,000	**$0.20**	23/04/02
	1,500,000	**$0.30**	17/10/03
	480,000	**$0.50**	1/04/04

Meetings of Directors

The number of directors meetings, including meetings of committees of directors, and the number of meetings attended by each of the directors of the Company during the financial year are:

	DIRECTORS'MEETINGS		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Mr J B Burrows	13	13	2	2
Mr P McGlone	13	13	-	-
Mr G Garton	3	0	-	-
Dr H Preston	5	5	2	2
Dr R Tynan	2	2	-	-
Mr P Noble	10	10	-	-

Indemnification of Officers

The Company, in accordance with Article 23 of its Constitution, has agreed to indemnify the following current directors of the Company; Messrs John B. Burrows, Henry Preston and Robert F Tynan and the following former directors, Messrs Peter G Noble, Paul A McGlone, Rodney S Adler AM, and Gary K Garton against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company and its controlled entity, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses. The terms of the insurance contract prohibits the Company from disclosing the level of premiums paid.

Insurance Premiums

Since the end of the previous financial year the Company has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current and former directors and certain officers, including executive officers of the Company and directors, executive officers and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending civil proceedings, whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The premiums were paid in respect of the following officers of the Company and its controlled entities:

i) current directors and secretary of the Company: Mr. John B Burrows, Dr. Robert F Tynan, Dr. Henry Preston, and Mr. Nigel Purves;

ii) former directors and secretaries: Mr. Paul A McGlone, Mr. Peter G Noble, Mr. Rodney S Adler AM, Mr. Gary K Garton and Mr. Shane M Healy.

Directors Interests

The directors relevant interests in the share capital of the Companies within the consolidated entity, has been notified by the directors to the Australian Stock Exchange in accordance with Section 205G(1) of the Corporations Law. Their relevant interests as at the date of this report are disclosed within this report and at Note 27 – Related Parties, of the Financial Statements.

Rounding Off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 25th day of October 2002

Signed in accordance with a resolution of the directors:

John B Burrows
Chairman

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2002

	Note	Consolidated		The Company	
CLASSIFICATION OF INCOME AND EXPENSES BY NATURE		2002 $'000	2001 $'000	2002 $'000	2001 $'000
Revenues from sale of goods	2	7,365	2,688	-	-
Revenue from rendering of services	2	7,368	3,762	-	-
Interest received	2	21	26	9	4
Other revenue	2	23	-	-	-
Proceeds from sale of non-current assets	2	14	170	14	-
Total Revenues	2	14,791	6,646	23	4
Raw materials and consumables used		(5,168)	(2,089)	-	-
Employee expense		(10,149)	(5,152)	(1,318)	(895)
Depreciation and amortisation expense	3	(3,135)	(2,279)	(43)	(193)
Borrowing costs		(239)	(234)	(148)	(33)
Write-off of assets and investments		-	(579)	(11,264)	(110)
Write-off of goodwill	3	(4,230)	-	-	-
Write-off of intellectual property	3	(4,092)	-	(455)	-
Share of net loss accounted for using the equity method		-	(368)	-	-
Other expenses from ordinary activities		(5,418)	(4,178)	(1,482)	(3,953)
Loss from ordinary activities before income tax		**(17,640)**	**(8,233)**	**(14,687)**	**(5,180)**
Income tax		-	-	-	-
Net loss		**(17,640)**	**(8,233)**	**(14,687)**	**(5,180)**
Other changes in equity from non-owner related transactions		-	-	-	-
Total changes in equity from non-owner related transactions attributable to the members of the parent entity.		**(17,640)**	**(8,233)**	**(14,687)**	**(5,180)**
		$	$		
Basic earnings per share	30	(0.092)	(0.069)		
Diluted earnings per share	30	(0.092)	(0.051)		

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 7 to 48.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2002

	Note	Consolidated		The Company	
		2002	2001	2002	2001
		$'000	$'000	$'000	$'000
CURRENT ASSETS					
Cash assets	6	1,777	393	12	14
Receivables	8	1,608	1,793	8	105
Inventories	9	776	601	-	-
Other	10	161	3	41	155
Total Current Assets		**4,322**	**2,790**	**61**	**274**
NON-CURRENT ASSETS					
Receivables	8	-	-	7,827	4,580
Investments	11	-	-	-	11,264
Property, plant and equipment	13	1,377	1,596	82	75
Intangible assets	14	8,000	19,190	-	455
Total Non-Current Assets		**9,377**	**20,786**	**7,909**	**16,374**
Total Assets		**13,699**	**23,576**	**7,970**	**16,648**
CURRENT LIABILITIES					
Payables	15	9,472	6,487	1,882	1,421
Interest-bearing liabilities	16	2,355	2,810	1,932	2,218
Provisions	17	463	404	19	61
Total Current Liabilities		**12,290**	**9,701**	**3,833**	**3,700**
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	16	203	871	-	-
Provisions	17	29	49	-	-
Total Non-Current Liabilities		**232**	**920**	**-**	**-**
Total Liabilities		**12,522**	**10,621**	**3,833**	**3,700**
Net Assets		**1,177**	**12,955**	**4,137**	**12,948**
EQUITY					
Contributed equity	18	61,040	55,164	61,040	55,164
Accumulated losses	19	(62,068)	(44,428)	(56,903)	(42,216)
Total parent entity interest		(1,028)	10,736	4,137	12,948
Outside equity interest	31	2,205	2,219	-	-
Total Equity		**1,177**	**12,955**	**4,137**	**12,948**

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 7 to 48.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 June 2002

	Note	Consolidated		The Company	
		2002	2001	2002	2001
		$'000	$'000	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		16,622	8,070	-	-
Payments to suppliers and employees		(19,472)	(11,299)	(4,872)	(3,180)
Interest received		21	26	9	4
Interest and other costs of finance paid		(173)	(220)	(137)	(18)
Net cash used in operating activities	7b	(3,002)	(3,423)	(5,000)	(3,194)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for property, plant and equipment	13	(265)	(777)	(91)	-
Proceeds from sale of property, plant and equipment		13	170	13	-
Intellectual property development		-	(372)	-	(372)
Payment for purchase of new business	12b	-	(2,272)	-	(1,197)
Other payment for controlled entities (net of cash acquired)	12b	-	(829)	-	-
Net cash provided by / (used in) investing activities		(252)	(4,080)	(78)	(1,569)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of securities (Shares, Options, etc)	18	5,362	2,415	5,362	2,415
Proceeds from borrowings	16	308	2,200	314	2,200
Repayment of borrowings	16	(600)	-	(600)	-
Issue of converting preference shares by a controlled entity	31	-	3,000	-	-
Finance lease payments	20	(432)	(26)	-	-
Net cash provided by financing activities		4,638	7,589	5,076	4,615
Net increase / (decrease) in cash held		1,384	86	(2)	(148)
Cash at beginning of financial year		393	317	14	162
Cash balance in controlled entities acquired	12b	-	(10)	-	-
Cash at end financial year	6	1,777	393	12	14

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 7 to 48.

Note 1:Statement of significant accounting policies

a General purpose financial report

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

b Basis of Preparation

Historical cost

The financial report has been prepared 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.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Going concern basis

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity incurred an operating loss of $17.6 m during the year ended 30 June 2002 (increased from a loss of $8.23 m for the year ending 30 June 2001).

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

- The consolidated entity's ability to generate positive net cash flow in the year ending 30 June 2003, as contemplated in the business strategy, is dependent on 3 key factors. Success in the Cosmos Real Estate payments product, the PoS rollout into the API pharmacies, and the rollout of the PoS applications into the liquor and grocery industries.
- If the consolidated entity is unable to achieve net cash flows as anticipated in the business strategy, alternative strategies may be employed to raise additional funds and further reduce costs. One of those alternative strategies has, and will continue to be, to source strategic partners that add value to the Company and have an ability to provide further funds within the strategic relationship.
- The going concern basis used in the preparation of the financial report may not be appropriate if the consolidated entity does not meet its planned revenue and cashflow targets or successfully adopt alternative strategies in the year ended 30 June 2003. In this event, the consolidated entity may not be able to realise the full value of its assets and extinguish its liabilities, including contingent liabilities, in the normal course of business at the amounts stated in the financial report.

c Principles of consolidation

Controlled Entities

The financial statements of controlled entities are included from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

d Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

Rendering of services

Revenue from rendering services is recognised in proportion to the stage of contract completion when the stage of contract completion can be reliably measured.

Note 1:Statement of significant accounting policies

Interest revenue

Interest revenue is recognised as it accrues.

Deferred maintenance revenue

The recognition of revenue is calculated by amortising the payment on a straight-line basis over the life of the contract.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

e **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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 ATO are classified as operating cash flows.

f **Foreign currency transactions and balances**

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial period in which the exchange rate changes.

The balance sheet of overseas controlled entities are translated at the rates of exchange ruling at balance date. The statements of financial performance are translated at a weighted average rate for the year.

g **Borrowing costs**

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance lease charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

h **Income tax**

The consolidated entity adopts the income statement liability method of tax-effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

Note 1:Statement of significant accounting policies

To the extent that dividends are proposed by controlled entities incorporated overseas, the consolidated entity has provided for withholding tax. A provision is also made for the withholding tax on the balance of unremitted profits that eventually will be remitted to the Company.

i **Acquisition of assets**

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at the cost of their acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

The cost of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset. Borrowing costs are capitalised to qualifying assets.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Research and development costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

j **Depreciation and amortisation**

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets and are separately depreciated.

Useful lives

All assets, including intangibles, have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, with the exception of finance lease assets which are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only.

The depreciation/amortisation rates used for each class of asset are as follows:

	2002	2001
Property, plant and equipment		
Leasehold improvements	25-100%	25-100%
Plant and equipment	2.5-100%	2.5-100%
Leased plant and equipment	5-100%	5-100%
Intangibles		
Goodwill	10 years	10 years
Intellectual property	5-10 years	5-10 years

Note 1:Statement of significant accounting policies

k **Inventories**

Inventories are carried at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring inventories and bringing them to their present location and condition.

l **Receivables**

Trade debtors

Trade debtors to be settled within seven days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Controlled entities

Where an amount owing by a controlled entity to the Company exceeds the net assets of that controlled entity, a provision is made against the recovery of the loan in the books of the Company. This entry is eliminated upon consolidation.

m **Leased assets**

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating Leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

n **Investments**

Controlled entities

Investments in controlled entities are carried in the company's financial statements at the lower of cost and recoverable amount.

o **Non current assets valued on a cost basis**

The carrying amounts of all non-current assets valued on a cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable of non-current assets the relevant cash flows have not been discounted to their present values.

p **Intangibles**

Intellectual Property

Intellectual property rights comprised various applications, intellectual knowledge and know-how.

Goodwill

Goodwill represents the excess of the purchase considerations plus incidental costs over the fair value of the identifiable net assets and is amortised on a straight line basis over 10 years.

Goodwill balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off to the statement of financial performance.

q **Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within established terms.

Note 1:Statement of significant accounting policies

r **Bank loans**

Bank loans are carried on the statement of financial position at their principal amount.

Interest expense is accrued at the contracted rate.

s **Employee entitlements**

Wages, salaries and annual leave

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages, salaries and annual leave, which will be settled after one year, have been measured at their nominal amount, based on current wage and salary rates and includes related on-costs.

Long service leave

The liability for employee entitlements represents the present value of the estimated future cash outflows to be made by the employer resulting from the employee's services provided up to balance date.

Entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Superannuation

The Company and controlled entities contribute to several employee defined contribution superannuation funds. The contributions are charged as expenses as incurred.

Contributions are limited to the prescribed charged percentage as determined under the Superannuation Guarantee Scheme.

Employee share option plans

Where shares or options are issued to employees as remuneration for past services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of the shares or options issued is recorded in contributed equity.

Other share or options issued to employees are recorded in contributed equity at the fair value of consideration received, if any.

Transaction costs associated with issuing shares and options are recognised in equity subject to the extent of the proceeds received, otherwise expensed. Other administrative costs are expensed.

t **Change of accounting policy**

Earnings per share

The consolidated entity has applied AASB 1027 *Earnings per share* (issued June 2001) for the first time from 1 July 2001.

Basic and diluted earnings per share ('EPS") for the comparative period ended 30 June 2001 have been adjusted so that the basis of calculation is consistent with that of the current period.

Basic earnings per share

Basic EPS earnings are now calculated as net profit or loss, rather than excluding extraordinary items.

Diluted earnings per share

Diluted EPS earnings are now calculated by only adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with the executive share options.

The diluted EPS weighted average number of shares now includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for nil consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average market price.

The identification of dilutive ordinary shares is now based on net profit or loss from continuing ordinary operations, not net profit or loss before extraordinary items and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share issue.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2002

Note 1:Statement of significant accounting policies

Segment reporting

The consolidated entity has applied the revised AASB 1005 *Segment Reporting* (issued in August 2000) for the first time from July 2001.

Individual business segments have been identified on the basis of grouping individual products or services subject to similar risks and returns. The business segments reported are transaction processing, retail and health products.

Comparative information has been restated.

	Consolidated		The Company	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Note 2: Revenue from Ordinary Activities				
Sale of goods revenue from operating activities	7,365	2,688	-	-
Rendering of services revenue from operating activities	7,368	3,762	-	-
	14,733	6,450	-	-
Other revenues				
Interest				
Related parties	-	-	-	-
Other parties	21	26	9	4
Other revenue	23	-	-	-
Proceeds from sale of non-current assets	14	170	14	-
Total other revenues	58	196	23	4
Total Revenue from ordinary activities	14,791	6,646	23	4

Note 3: Operating Loss

	Consolidated		The Company	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Operating loss has been determined after including the following items:				
Amortisation:				
Borrowing costs	-	60	-	60
Goodwill	1,359	856	-	-
Intellectual property	1,308	238	455	114
Leased plant and equipment	68	495	20	5
Leasehold improvements	12	439	-	-
Depreciation:				
Plant and equipment	388	191	22	14
Total Amortisation and Depreciation	3,135	2,279	497	193
Net (profit)/loss on disposal of fixed assets and investments	(1)	528	-	110
Provision for diminution of carrying value of investments	-	-	11,264	-
Doubtful debts provision	436	73	-	-
Provision against recovery of loans to controlled entities	-	-	(1,019)	2,610
Employee entitlement provisions	132	106	40	32
Borrowing costs - other debt	120	120	3	18
Share of net loss accounted for using equity method	-	368	-	-
Borrowing costs – equity instruments	30	114	-	-
Operating Leases	549	435	23	2
Write off inventory and licence fees	77	151	-	-
Individually significant items:				
Write down of goodwill	4,230	-	-	-
Write down of intellectual property	4,092	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2002

	Consolidated		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Note 4: Taxation				
a. Prima facie tax (benefit) on operating (loss) and before income tax at 30% (2001: 34%)	(5,292)	(2,799)	(4,406)	(1,761)
Increase in income tax benefit due to non deductible items				
Loss on debt forgiveness	-	-	-	914
Amortisation of goodwill	408	291	-	-
Amortisation of intellectual property	392	81	137	39
Legal	-	98	-	84
Write down of goodwill	1,269	-	-	-
Write down of intellectual property	1,227	-	-	-
Write off investment	-	-	3,379	67
Entertainment and travel	7	24	10	11
Other	-	6	-	1
Prior year (over)/ under provision	-	8	-	2
Losses not carried forward as future income tax benefit	(1,989)	(2,291)	(880)	(643)
Income expense (a future benefit)	-	-	-	-
b. Future income tax benefit not taken into account				
Tax losses carried forward	6,464	4,475	3,631	2,827
Adjustment to future income tax benefit and provision for deferred income tax due to change in company tax rate to 30%.	-	(270)	-	(76)
Restatement of tax losses carried forward due to change in company tax rate.	6,464	4,205	3,631	2,751

The potential future tax benefit arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond reasonable doubt.

The potential future tax benefit will only be obtained if:

(i) The relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) The relevant company and/ or the consolidated entity continue to comply with the conditions for deductibility imposed by law; and

(iii) No change in tax legislation adversely affects the relevant company and/ or the consolidated entity in realising the benefit.

Note 5: Auditors' Remuneration

Audit Services:				
Auditors of the Company - KPMG	84,000	78,300	30,000	19,500
Other Auditors	-	51,970	-	-
	84,000	130,270	30,000	19,500
Other Services:				
Auditors of the Company - KPMG	20,000	126,971	20,000	126,971
Other Auditors	-	37,000	-	-
	20,000	163,971	20,000	126,971

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2002

	Consolidated		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Note 6:Cash				
Cash at bank	1,777	281	12	14
Deposits at call	-	112	-	-
	1,777	393	12	14

Note 7: Notes to the Statement of Cash Flows

a. Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:

Cash assets	1,777	281	12	14
Deposits at call	-	112	-	-
	1,777	393	12	14

b. Reconciliation of cash flow from operations with operating loss after income tax:

Operating loss after income tax	(17,640)	(8,233)	(14,687)	(5,180)
Items classified as financing activities:				
Capital raising costs	-	85	-	-
Non-cash flows included in operating loss:				
Amortisation of goodwill	1,359	856	-	-
Amortisation of intellectual property	1,308	238	455	114
Write down of goodwill	4,230	-	-	-
Write down of intellectual property	4,092	-	-	-
Depreciation	468	191	43	14
Deferred borrowing expenses	-	60	-	60
Net increase/(decrease) in provisions	248	87	(1,061)	2,572
Share issues in settlement of operating costs/accounts payable	239	125	539	125
Share of loss from equity interest	-	368	-	-
Write-off of intellectual property rights	-	-	-	-
Write off Ecosem assets	-	119	-	-
Provision for diminution in carrying value of investments	-	-	11,264	110
Write off inventory and licence fees	77	151	-	-
Loss on sale of property, plant & equipment	1	409	-	-
Write-back of deferred lease expenses	-	(23)	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase)/decrease in other assets	161	(446)	(2,017)	(150)
(Increase)/decrease in trade and term debtors	(343)	607	-	(908)
(Increase)/decrease in inventories	(175)	(266)	-	-
Increase/(decrease) in trade creditors and accruals	2,496	948	464	44
Increase in unearned revenue	477	367	-	-
Cash Flows from operations	(3,002)	(3,423)	(5,000)	(3,194)

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Note 8: Receivable				
CURRENT				
Trade debtors	2,336	1,993	-	-
Provision for doubtful debts	(765)	(556)	-	-
	1,571	1,437	-	-
Other debtors	37	356	8	105
	1,608	1,793	8	105
NON-CURRENT				
Amounts receivable from:				
Wholly owned subsidiaries	-	-	10,827	8,599
Provision for non-recovery of debt owing by wholly-owned subsidiaries	-	-	(3,000)	(4,019)
	-	-	7,827	4,580
Note 9: Inventory				
CURRENT				
Finished goods at net realisable value	776	601	-	-
Note 10: **Other current assets**				
OTHER	161	3	41	155
Note 11: Investments				
NON-CURRENT				
Shares in controlled entities unquoted at cost	-	-	11,264	11,264
Provision for diminution of carrying value of investments	-	-	(11,264)	-
	-	-	-	11,264

Note 12: Controlled Entities

a. **Particulars in relation to controlled entities**

	Country of Incorporation	**Percentage Owned 2002**	**Percentage Owned 2001**
Controlled Entities			
Dynsol Laboratory Pty Limited	Aust	100%	100%
Pharmasol Pty limited	Aust	100%	100%
Ecosem S A	France	100%	100%
Dynsol Limited	U.K	100%	100%
Surefire Systems Pty Ltd	Aust	100%	100%
Cosmos E-C Commerce Limited	Aust	100%	100%

Note 12: Controlled Entities

b. **Discontinued Operations**

On February 2001, the Board announced to the ASX its decision to close down the Homeopathic operations comprising Dynsol Laboratory Pty Limited (Dynsol), in Sydney, and Ecosem S.A (Ecosem) in France. Dynsol was originally established to manufacture and distribute homeopathic products in Australia. Ecosem conducted medical research in the theories of high dilution at its laboratory in Lyon. Ecosem has subsequently been liquidated. As a result Dynsols' operations are reported on in Health Products segment of the segment report. Dynsol ceased effective operations on 15 January 2001 and Ecosem's research ceased on 1 January 2001. These both occurred in the prior year.

c. **Acquisitions of Controlled Entities**

During the previous financial year the consolidated entity purchased:

- the business assets of the New South Wales (25 July 2000) and South Australian (24 August 2000) agencies of PharmaSol,
- the intellectual property assets of YQ.com (9 October 2000)
- the companies Cosmos E-C Limited (14 June 2001) and Surefire Systems Pty Ltd. (30 April 2001)

Details of the acquisitions are:

	Consolidated		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Cash consideration	-	3,101	-	197
Shares issued to vendors in consideration of purchase	-	10,684	-	-
Share of equity loss	-	(368)	-	-
Shares issued in consideration for services rendered	-	618	-	-
Cash assets	-	10	-	-
Outflow of cash and equity	-	14,045	-	197
Fair value of net assets acquired				
Receivables	-	1,033	-	-
Plant and equipment	-	1,188	-	-
Inventory	-	269	-	-
Intellectual property	-	2,763	-	197
Creditors and accruals	-	(3,187)	-	-
Unearned revenue	-	(32)	-	-
Staff provisions	-	(224)	-	-
	-	1,810	-	197
Goodwill on Acquisition	-	12,235	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2002

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Note 13: Property, Plant & Equipment				
Leasehold improvements at cost	149	579	-	-
Accumulated amortisation	(16)	(443)	-	-
	133	136	-	-
Plant and equipment at cost	1,694	1,348	140	116
Accumulated depreciation	(955)	(409)	(92)	(59)
	739	939	48	57
Leased plant and equipment	1,155	1,102	54	29
Accumulated amortisation	(650)	(581)	(20)	(11)
	505	521	34	18
Total Property Plant & Equipment	1,377	1,596	82	75
Reconciliations				
Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:				
Leasehold improvements				
Carrying amount at beginning of year	136	331	-	-
Additions	9	244	-	-
Disposals	-	-	-	-
Amortisation	(12)	(439)	-	-
Carrying amount at end of year	133	136	-	-
Plant and equipment				
Carrying amount at beginning of year	939	543	57	14
Additions	201	1,330	37	57
Disposals	(13)	(743)	(13)	-
Transfers from leased plant and equipment	357	-	18	-
Depreciation	(388)	(191)	(22)	(14)
Depreciation transfers from leased plant and equipment	(357)	-	(18)	-
Carrying amount at end of year	739	939	48	57
Leased plant and equipment				
Carrying amount at beginning of year	521	398	18	23
Additions	55	618	54	-
Disposals	-	-	-	-
Amortisation	(71)	(495)	(20)	(5)
Carrying amount at end of year	505	521	34	18

Note 14: Intangible assets

Goodwill	13,165	13,165	569	569
Write down of goodwill carrying value	(4,230)	-	-	-
Accumulated amortisation	(2,864)	(1,505)	(569)	(114)
	6,071	11,660	-	455
Intellectual property	7,768	7,768	-	-
Write down of intellectual property carrying value	(4,092)	-	-	-
Accumulated amortisation	(1,747)	(238)	-	-
	1,929	7,530	-	-
Deferred borrowing costs	-	89	-	89
Accumulated amortisation	-	(89)	-	(89)
	-	-	-	-
	8,000	19,190	-	455
Reconciliation of movement in intellectual property				
Opening balance	7,530	-	-	-
Intellectual property acquired or generated in period	-	7,768	-	-
Amortisation and write down in the period	(5,601)	(238)	-	-
Closing balance	1,929	7,530	-	-

Goodwill and Intellectual property

The consolidated entity is in the early stages of rollout of new product lines of business in retail solutions and electronic payments. The recoverable value of intangible assets, including intellectual property and goodwill is dependant upon the consolidated entity achieving customer growth expectations from its new business lines in retail solutions and electronic payments and in the short term having sufficient working capital to fund the ongoing rollout of these new business lines. In reviewing the recoverable value of the intangible assets, the Directors have considered the following components comprising the goodwill and intellectual property.

PharmaSol Pty Ltd (PharmaSol) was acquired as a going concern, having service contracts with approximately 35% of the Australian pharmacy industry. In addition to this PharmaSol owns the rights to a number of successful Point of Sale, ("PoS"), and prescription dispensing software products for pharmacies. This property has secure cash flow streams over the next two years. PharmaSol has also developed a windows based PoS system, which was introduced into pharmacies in September 2001, principally to Australian Pharmaceutical Industries (API) affiliated pharmacies. The Company has a strategic alliance with API. The economic life of the DOS products is expected to be a further 2.5 years to which the windows-based product will be an enhancement giving the product an expected economic life of between 5 and 10 years.

Surefire Systems Pty. Ltd (Surefire) owns PoS software technology applicable to the grocery, liquor, newsagency and general retail markets in addition to an enhanced pharmacy PoS product. The Surefire product suite enables retailers to process transactions, manage inventory, produce daily performance reporting and benchmarking. The directors consider that this functionality will constitute an integral part of the retail environment, assisting retail operations to reduce costs and increase sales and margins. Surefire has developed an enhanced liquor store application, which has been purchased by one of Australia's largest liquor store chains. This was rolled out in September 2001 and will be serviced by Surefire for a further three years. The company's PoS system has also been purchased by a large grocery retail group for rollout into their supermarkets from October 2001 through until end 2002. Surefire has a supply agreement with ACP Publishing Pty Limited for the development and supply of the 'Newsagency PoS Product', a state of the art PoS application for the Australian newsagency market. The company will service and maintain these systems on behalf of the retailers for a minimum period of three years. The expected economic life of the Surefire products is between 5 and 10 years.

Cosmos E-C Commerce Limited (Cosmos EC). The Cosmos EC gateway provides low-cost, on-line processing of credit and debit card transactions via proprietary telephone and internet exchange systems, employing state-of-the-art security (encryption), telecommunications and information technology systems. Processing relationships with six banks enable payments to be made via customer initiated or periodical direct debit. This technology developed by Cosmos EC has emerged from the developmental phase and has exclusive user agreements with a number of major real estate franchisors. In addition to the Real Estate product the Company provides e-commerce services to more than 200 business clients. This business is expanding rapidly.

Goodwill

Goodwill relates to the acquisition of the Lockie Computer business by Pharmasol Pty Ltd and goodwill arising on consolidation of Cosmos E-C Commerce Limited.

During the period the consolidated entity wrote down goodwill of $4.230 million and intellectual property of $4.092 million on the basis that the Directors believed the carrying value could not continue to be supported given the historical performance of the related revenue streams and the likelihood that portions of this goodwill and intellectual property will not produce future economic benefits.

	Note	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Note 15: Payables					
CURRENT					
Trade creditors		6,897	2,923	1,113	-
Sundry creditors and accruals		1,547	3,171	769	1,405
Other		173	16	-	16
Deferred software maintenance revenue		855	377	-	-
		9,472	6,487	1,882	1,421
Note 16: Interest Bearing Liabilities					
CURRENT					
Lease liability		177	340	18	18
Loan facility - unsecured	29	1,600	2,200	1,600	2,200
Other loans - unsecured		308	-	308	-
Other debt	31	270	270	6	-
		2,355	2,810	1,932	2,218
NON-CURRENT					
Lease liability		61	331	-	-
Other debt	31	142	540	-	-
		203	871	-	-
Note 17: Provisions					
CURRENT					
Employee entitlements	23	463	404	19	61
NON-CURRENT					
Employee entitlements	23	29	49	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2002

	Note	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Note 18: Contributed Equity					
Issued and Paid-up Capital					
235,732,340 fully paid ordinary shares (2001: 166,484,367)		61,040	55,164	61,040	55,164
Movement in Ordinary share capital					
At the beginning of the financial year		55,164	36,460	55,164	36,460
Shares Issued		6,330	18,704	6,330	18,704
Transaction costs arising from share issues		(454)	-	(454)	-
At the end of the financial year		61,040	55,164	61,040	55,164

i On 20 July 2001, the Company issued 1,393,651 fully paid ordinary shares, comprising 600,000 at $0.25 per share ($150,000) and 793,651 at $0.189 per share ($150,000) to TDH No. 2 Pty Limited in settlement of interest on the preference shares issued to Pharmasol Pty Limited.

ii On 21 November 2001, the Company issued 9,775,000 fully paid ordinary shares at $0.20 per share under a private placement in order to raise $1,955,000 for working capital.

iii On 18 January 2002, the Company issued 2,105,263 fully paid ordinary shares at $0.07125 per share ($150,000) to TDH No. 2 Pty Limited in settlement of interest on the preference shares issued to Pharmasol Pty Limited.

iv 44,018,696 fully paid ordinary shares issued under the 1 for 3 non-renounceable Rights Issue announced on 20 December 2001 at $0.08 per share ($3,521,496).

v 4,254,050 fully paid ordinary shares issued at $0.08 in settlement of transaction costs arising under the Rights Issue ($340,324).

vi 733,400 fully paid ordinary shares issued at $0.08 in settlement of outstanding liabilities ($58,672).

vii 6,967,913 fully paid ordinary shares were issued for nil consideration during the period.

Note 19: Accumulated Losses

Accumulated loss at the beginning of the year	(44,428)	(36,195)	(42,216)	(37,036)
Net loss attributable to members of the parent entity	(17,640)	(8,233)	(14,687)	(5,180)
Accumulated losses at the end of the year	**(62,068)**	**(44,428)**	**(56,903)**	**(42,216)**

Note 20: Additional Financial Instruments Disclosure

Foreign exchange risk

The company has ceased its operations in France (Ecosem) and the United Kingdom (Dynsol Limited) and subsequently has no other exposure to foreign exchange risk.

Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

Fixed interest maturing in:	Weighted average interest rate	Floating interest rate	1 year or less	1-5 years	More than 5 years	Non-Interest bearing
2002		$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash	3.70%	1,777	-	-	-	-
Receivables	-	-	-	-	-	1,608
Financial liabilities						
Borrowings	5.77%	-	1,600	-	-	-
Creditors	-	-	-	-	-	6,772
Employee entitlements	-	-	-	-	-	491
Lease liability	9.28%	-	177	62	-	-
Other debt	10.00%	-	578	135	-	-
		1,777	2,355	197	-	8,871
2001						
Financial assets						
Cash	2.94%	393	-	-	-	-
Receivables	-	-	-	-	-	1,793
Financial liabilities						
Borrowings	5.76%	-	2,200	-	-	-
Creditors	-	-	-	-	-	6,487
Employee entitlements	-	-	-	-	-	453
Lease liability	10.20%	-	340	331	-	-
Other debt	10.00%	-	270	540	-	-
		393	2,810	871	-	8,733

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date approximates their carrying amounts.

The credit risk of financial assets, excluding investments, of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts. The consolidated entity minimises the concentration of credit risk by undertaking transactions with a large number of customers.

	Consolidated		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Note 21: Capital and leasing commitments				
a. Finance lease commitments				
Payable				
not later than 1 year	180	322	-	19
later than 1 year but not later than 5 years	62	354	-	-
later than 5 years	-	-	-	-
Minimum lease payments	242	676	-	19
Less future finance charges	4	5	-	1
Total lease liability	238	671	-	18
b. Non-cancellable operating lease expense commitments				
Payable				
not later than 1 year	-	727	-	-
later than 1 year but not later than 5 years	-	2,503	-	-
later than 5 years	-	-	-	-
Minimum lease payments	-	3,230	-	-

The consolidated entity leases property under non-cancellable operating leases expiring from two to seven years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

Note 22: Statement of operations by segments

Major products / services for each industry segment

- The consolidated entity conducts:
- a retail technology business providing PoS software, hardware and support services to the retail industries through its controlled entities PharmaSol Pty.Ltd. and Surefire Systems Pty Ltd.
- a transactions processing business providing electronic funds transfer and processing services principally to rental tenants through the Real Estate industry through its controlled entity Cosmos E-C Commerce Limited.
- a health products business, operated through its controlled entity Dynsol Laboratories Pty. Ltd was wound down in the previous financial year.

Geographical segments

The consolidated entity operates predominately in Australia. More than 90% of the loss from ordinary activities and segment assets relate to operations in Australia.

Note 22: Statement of operations by segments (continued)

	Retail Technology		Transactions Processing		Health Products		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales to customers outside the consolidated entity	12,876	6,395	1,880	50	-	5	-	-	14,756	6,450
Other Revenue	9	6	2	1	-	186	10	-	21	193
Unallocated revenue	-	-	-	-	-	-	-	-	14	3
Total Revenue	12,885	6,401	1882	51	-	191	10	-	14,791	6,646
Share of net losses from equity accounted investments	-	-	-	368	-	-	-	-	-	368
Segment Result	(10,172)	(2,563)	(3,436)	(808)	(2)	(2,521)	-	-	(13,610)	(5,892)
Unallocated expenses	-	-	-	-	-	-	-	-	(4,030)	(2,341)
Consolidated operating profit / (loss) before tax	(10,172)	(2,563)	(3,436)	(808)	(2)	(2,521)	-	-	(17,640)	(8,233)
Segment assets	12,592	16,583	433	6,817	-	95	-	-	13,025	23,495
Unallocated assets	-	-	-	-	-	-	-	-	674	81
Total assets	12,592	16,583	433	6,817	-	95	-	-	13,699	23,576
Segment liabilities	(6,436)	(5,544)	(3,027)	(1,861)	(152)	(630)	-	-	(9,615)	(8,035)
Unallocated liabilities	-	-	-	-	-	-	-	-	(2,782)	(2,586)
Total liabilities	(6,436)	(5,544)	(3,027)	(1,861)	(152)	(630)	-	-	(12,397)	(10,621)
Net Assets	6,156	11,039	(2,594)	4,956	-	(535)	-	-	1,302	12,955
Depreciation and amortisation	(1,689)	(855)	(947)	(77)	-	(1,191)	(495)	(156)	(3,135)	(2,279)
Other non cash expenses	(270)	-	-	(270)	-	-	-	-	(270)	(270)
Acquisitions of non-current assets	142	687	86	669	-	90	37	250	265	1,696
Inventory write down	148	-	-	-	-	-	-	-	148	-
Individually significant items:										
Write-down of goodwill	-	-	(4,230)	-	-	-	-	-	(4,230)	-
Write-down of intellectual property	(4,092)	-	-	-	-	-	-	-	(4,092)	-

Note 22: Statement of operations by segments (continued)

	New South Wales		Victoria		Eliminations		Consolidated	
	2002	2001	2002	2001	2002	2001	2002	2001
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Sales to customers outside the consolidated entity	1,880	55	12,876	6,395	-	-	14.756	6,450
Other Revenue	26	190	9	6	-	-	35	196
Total Revenue	1,906	245	12,885	6,401	-	-	14,791	6,646
Segment Result	(7,468)	(5,670)	(10,172)	(2,563)	-	-	(17,640)	(8,233)
Consolidated operating profit / (loss) before tax	(7,468)	(5,670)	(10,172)	(2,563)	-	-	(17,640)	(8,233)
Segment assets	1,887	6,993	12,592	16,583	-	-	13,699	23,576
Segment liabilities	(5,961)	(5,077)	(6,436)	(5,544)	-	-	(12,397)	(10,621)
Net assets	(4,854)	1,916	6,156	11,039	-	-	1,302	12,955

	Consolidated		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Note 23: Employee Entitlements				
Aggregate liability for employee entitlements, including on-costs				
Current	462	404	19	61
Non-current	29	49	-	-
	491	453	19	61

Employee share option scheme

On 1 April 1999, the Directors resolved to approve the issue of 120,000 options as part of the Company's Employee Option Plan to Jean-Pierre Le Loc'h. These options can be exercised at any time from 1 April 2002 to 1 April 2004 at an exercise price of $0.30.

On 27th April 2001 the Members at a general meeting resolved to set the exercise price for the Company's Employee Option Plan to $0.30.

The Directors may in their sole discretion select eligible employees or directors to whom options are to be issued and determine the number of options to be offered. The maximum number of shares in respect of which options may be issued pursuant to the plan shall not exceed 5% of the number of shares in the Company on issue. The right to exercise the options is subject to a number of conditions, including the employee remaining an eligible employee during the option period of 5 years.

No options have been issued during the year. No charge is made to the statement of financial performance in respect of employee share options issued.

Note 23: Employee Entitlements

Superannuation funds

The consolidated entity contributes to a number of superannuation funds. The funds are not sponsored by the consolidated entity and are accumulation funds providing benefit on retirement, disability or death. Employer contributions are based on the statutory percentage of the employee's gross salaries. The consolidated entity does not have any legal obligations to make up any shortfall of assets in the accumulation funds.

Number of employees

The number of employees at year-end; Consolidated (137), the Company (7).

	Consolidated		The Company	
	2002 $	2001 $	2002 $	2001 $
Note 24: Directors' and Executives' Remuneration				
a. Directors' Remuneration				
Income paid or payable to all directors of each entity in the consolidated entity by the entities of which they are directors and related parties	473,999	341,000	473,999	341,000
Number of directors whose income from the company and related bodies corporate falls within the following bands	No.	No.	No.	No.
$0 - $9,999	4	5	4	5
$10,000- $29,999	1	-	1	-
$340,000 - $349,999	-	1	-	1
$440,000 - $449,999	1	-	1	-
b. Executives' Remunerations				
The remuneration received or due and receivable by executive officers of the parent entity, from the parent entity and any related parties for management of the affairs of the parent entity and its subsidiaries whose income if $100,000 or more	1,035,221	767,725	753,429	486,059
The number of executives of the Company whose income from the Company and related bodies corporate falls within the following bands	No.	No.	No.	No.
$130,000 – $139,999	-	2	-	1
$140,000 – $149,999	-	2	-	1
$160,000 – $169,999	1	-	1	-
$180,000 – $189,999	1	-	1	-
$200,000 – $209,999	1	1	1	1
$240,000 – $249,999	1	-	1	-
$280,000 – $289,999	1	-	-	-

Executive officers are those officers involved in strategic direction, general management, or control of business at a company level.

Note 25: Events subsequent to reporting date

i. A claim of $505,000 made against PharmaSol Pty Ltd, a controlled entity, for alleged damages for breach of contract for the purchase of certain medical equipment has been settled by the purchase of $295,000 of medical equipment for resale in its PharmaSol operation.

ii. On 10 July 2002 the Company issued 2,586,207 fully paid ordinary shares valued at $150,000 in consideration for PharmaSol preference share interest payable to TDH No2 Investments Pty Ltd. for six months to 10 July 2002 as approved by shareholders at a General Meeting held 27th September 2000.

iii. On 12th August 2002, the Directors announced, that an agreement had been reached with the Company's former legal advisers to fully and finally settle outstanding fees and disbursements for certain legal services to the Company and its subsidiaries in return for the issue of 8,450,000 fully paid ordinary shares at $0.08 per share. Mr. Peter G Noble, a former partner in the law firm is a former director of the Company. Shareholder approval for the issue of these shares will be sought at the Company's next general meeting, being the annual general meeting scheduled for November 2002 or any earlier general meeting that may be convened by the Company.

iv. On 5th August 2002, the Board of Directors advised that the Company entered into a Heads of Agreement with Faulding Healthcare Pty Ltd, a subsidiary of Mayne Group Limited, to negotiate for purchase of the Amfac point-of-sale and dispense system. The board further advised that should this proceed, it would be a strategic acquisition that would add significant value to the company's Pharmasol divisions.

v. On 14th August 2002, the company announced that in conjunction with the strategic alliance formed last year with leading pharmaceutical wholesaler and marketing group operator Australian Pharmaceutical Industries (API), it would expand its service offering to API through a new agreement.

vi. On 21st August 2002 the Board of Directors of announced that the Company would acquire the Cardpay Service currently provided by Cardlink. Cardlink established the Cardpay Service in 1995 as a response to increasing demand within the utility, local government and financial services sectors for an easy-to-use telephone based bill payment service.

Note 26: Contingent liabilities

A claim has been made against PharmaSol Pty Ltd and Surefire Systems Pty Ltd, controlled entities of the Company by a former employee for breach of an employment contract. The amount of the claim is $200,000.

If PharmaSol were to be insolvent, and the assets of PharmaSol are insufficient to satisfy all its debts in full and to a return of $2 million of the capital contributed to PharmaSol by TDH No2 Investments Pty Ltd ("TDH") by way of subscription for PharmaSol preference shares, Cosmos will, on receiving a written demand from TDH made within 30 days of the occurrence of the payment date, pay to TDH an amount equal to the shortfall.

Note 27: Related Parties

Directors

The names of each person holding the position of director of Cosmos Limited during the year are:

Mr. John B Burrows	(appointed 4 September 2001)
Dr. Robert F Tynan	(appointed 28 May 2002)
Dr. Henry Preston	(appointed 20 February 2002
Mr. Peter G Noble	(resigned 20 February 2002)
Mr. Paul A McGlone	(resigned 29 May 2002)
Mr. Gary K Garton	(resigned 4 September 2001)

Details of directors' remuneration are set out in Note 24.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interest subsisting at year-end.

Directors' holdings of shares and share options

The interests of directors of the Company and their director-related

entities in shares of the entities within the consolidated entity at year-end are set out below:

	Consolidated	
	30 June 2002 No.	30 June 2001 No.
Ordinary shares	5,547,000	2,251,667
Options over ordinary shares	nil	5,000,000

Director's transactions in shares and share options

On 17 October 2000 the Company issued 500,000 Options expiring 17 October 2003 exercisable at $0.30 to Mr. Gary K Garton in lieu of directors fees, as approved by shareholders at a general meeting held 27 September 2000. Under the terms of the option issue, the options expired on the retirement of Mr. Garton as a Director of the Company.

On 17 October 2000 the Company issued 1,000,000 Options expiring 17 October 2003 exercisable at $0.30 to Mr. Peter G Noble in lieu of directors fees, as approved by shareholders at a general meeting held 27 September 2000. Under the terms of the option issue, the options expired on the retirement of Mr. Noble as a Director of the Company.

On 30 April 2002 Dr. Henry Preston was issued 350,000 fully paid ordinary shares in lieu of fees for the provision of underwriting services in regard to the Company's rights issue.

On 2nd May 2002 Dr. Henry Preston was issued 5,000,000 fully paid ordinary shares through his subscription to the Company's rights issue.

Other than outlined above, the terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non- director related entities on an arm's length basis.

Other related party transactions
During the period, the Company incurred legal expenses amounting to $381,235 from a legal firm, of which Mr. Peter G Noble was a former partner.

Loans
Loans totaling $400,000 (2001:$nil) were made by directors to the Company during the year. The directors were Mr. John B Burrows and Dr. Henry Preston. Following a repayment of $100,000 to Mr. John B Burrows during the period, the balances owing to them at 30 June 2002 are $200,000 and $100,000 respectively. Interest amounting to $3,310 was expensed for the period and is payable on settlement at the rate of 15.25% p.a.

Note 27: Related Parties (continued)

Wholly-owned group

Details of interest in wholly owned controlled entities are set out in note 12. Details of dealings with these entities are set out below:

Apart from the details disclosed in this note, loans between related parties are interest free.

Converting preference shares issued by a controlled entity

On 10 July 2000, a controlled entity PharmaSol Pty Ltd issued converting preference shares to TDH No. 2 Pty Limited, of which Dr. Henry Preston is a director. These converting preference shares convert to shares in Cosmos Limited and preference interest paid is satisfied by the issue of Cosmos Limited shares in lieu of cash. This share issue has been treated as a compound financial instrument, for further details refer note 31.

Balances with entities within the consolidated entity

The aggregate amounts receivable by the Company from controlled entities at balance date was $7,827,000 (2001: $8.599,000).

Note 28: Dividends

No dividends have been paid or declared for payment. This is consistent with the previous financial year.

Note 29: Financing Arrangements

On 16th May 2001 the Company arranged a cash advance facility with the ANZ Banking Group for $2,200,000. This facility matured on 16th May 2002 and has been reduced to $1,600,000 through loan repayments and is being rolled over on a monthly basis. The current $1,600,000 facility with interest is payable at 5.77% quarterly in arrears. This loan has been guaranteed by Adler Corporation Pty Ltd and Publishing and Broadcasting Limited. On 10 May 2001, in return for Publishing and Broadcasting Limited providing this guarantee, they took out a first charge over all of the assets and undertakings, including unpaid capital, of the group.

The facility was fully utilised as at 30 June 2002.

Note 30: Earnings per Share

Earnings reconciliation	2002 $'000	2001 $'000
Net loss	(17,640)	(8,233)
Basic earnings	(17,640)	(8,233)
Diluted earnings	(17,640)	(8,233)

Weighted average number of ordinary shares used as the denominator	Number '000	Number '000
Number for basic earnings per share	191,423	118,732
Effect of executive share options on issue	-	23,279
Number for diluted earnings per share	191,423	142,011
Basic earnings per share	$(0.092)	$(0.069)
Diluted earnings per share	$(0.092)	$(0.051)

The 33,160,000 share options on issue have not been included in the diluted EPS calculation as they are unlikely to be exercised due to the current share price being well below their exercise price.

Note 31: Minority Interest

Minority interest represents preference shares issued in PharmaSol Pty Ltd to fund the acquisition of the NSW and SA agencies of Pharmasol and to provide working capital.

On 10 July 2000, the Company, PharmaSol Pty Ltd (a controlled entity) and a financier, entered into an agreement for the financier to subscribe for 30,000 Preference Shares in the capital of PharmaSol Pty Ltd at $100 each, for a total subscription amount of $3,000,000. Under the terms of this agreement, these preferential shares would convert to four Cosmos Limited shares for every $1 of preference shares held.

These preference shares will automatically convert on 10 July 2003, if not converted sooner. Interest of 10% per annum payable 6 monthly in arrears was to be paid in Cosmos Limited shares in lieu of cash. It was further agreed that if the price of the shares on the ASX at the due date of interest were $0.25 or greater, then the interest would be paid at $0.25. If less than $0.25, then the interest would be a weighted average of the previous five days share price on the ASX, less 5% discount.

Shareholders approval was sought, and approved at a General Meeting held 27 September 2000. Pursuant to this agreement for the payment of interest, the Company issued 1,393,651 fully paid ordinary shares on 20 July 2001, comprising 600,000 @ $0.25 per share ($150,000) and 793,651 @ $0.189 ($150,000); 2,105,265 fully paid ordinary share on 10 January 2002 at $0.07125 per share ($150,000) and 2,586,207 fully paid ordinary shares on 10 July 2002 at $0.058 ($150,000).

The present value of the future interest payments on these preference shares has been treated as other debt in the statement of financial position. This debt will revert to equity on payment of the interest.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Cosmos Limited:

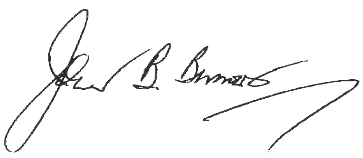
(a) The financial statements and notes, set out in pages 7 to 48 are in accordance with the Corporations Act 2001, including

i giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2002 and of their performance, as represented by the results of their operations and cash flows, for the year ended on that date; and

ii complying with Accounting Standards and the 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.

Signed in accordance with a resolution of the directors:



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John B Burrows

Chairman

Dated: 25th October 2002

Independent audit report to the members of Cosmos Limited

Scope

We have audited the financial report of Cosmos Limited ("the Company") for the financial year ended 30 June 2002, consisting of the statements of financial performance, statements of financial position, statements of cash flows, accompanying notes 1 to 31, and the directors' declaration set out on page 36. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

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

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

Qualification

A number of share allotments by the Company during the year ended 30 June 2002 were not in compliance with either the Corporations Act 2001 or ASX Listing Rules requirements. As a result, the following allotments are required to be ratified by the shareholders at a General Meeting:

- 4,254,050 fully paid ordinary shares issued at $0.08 in settlement of transaction costs arising under the Rights Issue ($340,324);
- 733,400 fully paid ordinary shares issued at $0.08 in settlement of outstanding liabilities ($58,672); and
- 6,967,913 fully paid ordinary shares were issued for nil consideration during the period.

In our opinion, these shares allotments should not be recognised until ratified by the shareholders at a General Meeting, resulting in the carrying value of contributed equity stated in the financial report at 30 June 2002 being overstated by $398,996 with a corresponding understatement of current payables.

Qualified audit opinion

In our opinion, except for the effects on the financial report of the matter referred to in the qualification paragraph, the financial report of Cosmos Limited is in accordance with:

a) the Corporations Act 2001, including:

   i. giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2002 and of their performance for the financial year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

Inherent uncertainty regarding the continuation as a going concern

Without further qualification to the opinion expressed above, attention is drawn to the following matter. The financial report has been prepared on a going concern basis which assumes the continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. As a result of matters described in Note 1, there is significant uncertainty whether the consolidated entity will be able to generate a positive net cash flow in the twelve months from the date of this report.

The continuation as a going concern is dependent upon the consolidated entity achieving customer growth expectations for its new lines of business in retail solutions and electronic payments. In the short term, it is also dependent upon the consolidated entity having sufficient working capital to fund the ongoing rollout of these new business lines.

If the consolidated entity is not able to meet its planned revenue and cash flow targets or successfully adopt alternative strategies, it may not be able to realise the full value of its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report. Given that the new business lines are in an early stage of rollout to the market, inherent uncertainty exists as to whether the consolidated entity will be able to raise or generate sufficient working capital to enable full market exploitation and achieve customer growth expectations.

KPMG

Roger Amos
Partner
Sydney
25th October 2002

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. Shareholding

a. Distribution of Shareholders Number

Category (size of Holding)	Ordinary
1 – 1,000	272
1,001 – 5,000	491
5,001 – 10,000	338
10,001 – 100,000	751
100,001 – and over	225
	2,077

The number of shareholdings held in less than marketable parcels is 853.

The names of the substantial shareholders listed in the holding company's register as at 30 September 2002 are:

Shareholder	*Number Ordinary*	
Link Traders (Aust) Pty Limited	28,995,288	12.09%
Adler Corporation Pty Limited	25,400,867	10.59%
Publishing and Broadcasting Limited	13,654,644	5.69%

At 30 September 2002 there were 2,077 holders of the fully paid ordinary shares of the Company's register. The voting rights attaching to the ordinary shares are 1 vote for each share held.

20 Largest Shareholders — Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Link Traders (Aust) Pty Limited	15,707,784	6.55%
2.	Adler Corporation Pty Limited	14,698,000	6.13%
3.	PBL Surefire Investment Pty Limited	13,720,830	5.72%
4.	H&C Holdings (Aust) Pty Limited	12,000,000	5.00%
5.	TDH No 2 Pty Ltd	6,549,671	2.73%
6.	Kierford Arch Pty Limited	6,420,950	2.68%
7.	Adler Corporation Pty Limited	6,287,500	2.62%
8.	Link Traders (Aust) Pty Limited	5,675,061	2.37%
9.	Dr. Henry Preston	5,350,000	2.23%
10.	Indubilla Pty Ltd <MSH Super Fund A/C>	5,104,167	2.13%
11.	Link Traders (Australia) Pty Ltd	4,600,000	1.92%
12.	Finsbury Limited	3,500,000	1.46%
13.	Hednesford Limited	3,067,610	1.28%
14.	Allabah Pty Limited	3,045,558	1.27%
15.	ANZ Nominees Limited	2,994,328	1.25%
16.	National Nominees Limited	2,638,903	1.10%
17.	Adler Corporation Pty Limited	2,550,000	1.06%
. 18	Link Traders (Australia) Pty Ltd	2,512,443	1.05%
19.	Bay Equities Limited	2,500,000	1.04%
20.	Westpac Custodian Nominees Limited	2,197,556	0.92%
		121,120,391	50.51%

CORPORATE GOVERNANCE STATEMENT
For the year ended 30 June 2002

Board of Directors and its Committees

Role of the Board

The Board's primary roles are to:

- Approve specific financial and non-financial objectives and policies proposed by management
- Assure itself of the effectiveness of arrangements for the governance of the Company
- Approve delegations of authority for capital expenditure, and the review of investment, capital and funding proposals that require Board approval
- Endorse senior executive appointments, organisational changes and remuneration issues
- Oversight the performance against targets and objectives
- Oversight the reporting to shareholders on the direction, governance and performance of the Company.
- Review processes for the identification and management of business risk.

Composition of the Board

As at the date of this statement, there were three directors. The majority of the Board are non-executive directors. The non-executive directors are Mr. John B Burrows and Dr. Henry Preston. The other board member is an executive director Dr. Robert F Tynan, who is also the Managing Director. The Company constitution allows for no more than 10 directors. Non-executive directors have agreed not to receive directors' fees during or for the past year. The Board agrees the appointment of the company secretary. The secretary supports the Board in carrying out its role, including assistance in communications between Board and management and attending meetings and recording minutes of the proceedings, as well as undertaking compliance and administrative functions in the governance of the Company.

The board met 15 times during the year and is scheduled to meet monthly, usually during the third week of each month, in either the Sydney or Melbourne offices of the Company. Additional formal business is dealt with as required, whether by physical or telephonic meetings. The Board's agenda is settled by the Chairman in conjunction with the Managing Director and Company Secretary. The agenda includes regular business and financial reports, periodical review of strategic issues and consideration of current issues and proposals put forward for approval. Papers on agenda items are circulated to directors two days in advance of meetings. The papers comprise reports by the Managing Director, Chief Financial Officer, Company Secretary and operational CEOs. ASX announcements by the Company as part of its continuous disclosure and other pertinent information are agreed by and circulated to directors.

Board Processes

A record of Board submissions and papers, and of material presented to the Board, is maintained and held by the Secretary together with minutes of meetings, and is accessible to directors. In consultation with the Managing Director, directors are able to access information direct from management. The Board may have access to independent advisers where it sees a need. If it became appropriate for a director to obtain external professional advice, separate from advice obtained on behalf of the Company, this would be arranged in consultation with the Chairman and the advice so obtained would ordinarily be provided to all directors.

The Board looks to management to speak for the Company and to manage the communication of information to investors, other stakeholders and the public in an orderly and effective way while meeting all mandatory disclosure requirements. Non-executive directors other than the Chairman avoid commenting on the Company to external audiences and the chairman keeps in touch with the Managing Director on the need or opportunity for comment on his own part.

Committees

The Board's approach is that major policy decisions are matters for the Board as a whole.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2002

For the year ended 30 June 2002

Audit Committee

The role of the Audit Committee has been agreed by the Board of Directors and ensures that all members of the Committee must be non-executive directors. The Audit Committee, which consists of the two non-executive directors is the only standing committee of the board. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of Cosmos Ltd and its subsidiaries.

It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies for inclusion in the financial report.

The members of the Audit Committee during the year were:

Mr. John B Burrows (appointed 4 September 2001)
Dr. Henry Preston (appointed 20 February 2002)
Mr. Peter G Noble (resigned 20 February 2002)

The external auditors, the Managing Director and the Company Secretary, are invited to Audit Committee meetings at the discretion of the Committee. The Committee met twice during the year.

The responsibilities of the Audit Committee include:

- Reviewing the financial report and other financial information distributed externally
- Monitoring corporate risk assessment processes
- Reviewing any new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles
- Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures are identified appropriate and prompt remedial action is taken by management
- Review the nomination and performance of the auditor. The lead engagement partner was last rotated in 2001.
- Liasing with the external auditors and ensuring that the annual audit and half-year statutory review are conducted in an effective manner
- Monitoring the establishment of appropriate internal control framework and considering enhancements
- Monitoring the establishment of appropriate ethical standards
- Monitoring procedures in place to ensure compliance with the Corporations Act 2001 and Stock Exchange Listing Rules and all other regulatory requirements
- Addressing matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions
- Reviewing reports on any major defalcations, frauds, thefts from the Company
- Improving the quality of the accounting function
- Reviewing the declaration from the Company Secretary on compliance with statutory responsibilities.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year as follows:

Audit planning

- To discuss the external audit plan
- To discuss any significant issues that may be foreseen
- To discuss the impact of any proposed changes in accounting policies on the financial statements
- To discuss the impact of any proposed changes in accounting policies adopted by the consolidated entity during the year
- To review the fees proposed for the audit work performed.

For the year ended 30 June 2002

Prior to the announcement of results

- To review the pro forma half-yearly and pro forma preliminary final report prior to lodgement of those documents with the ASX, and any significant adjustments required as a result of the audit
- To make the necessary recommendation to the Board for the approval of these documents.

Half-year and annual reporting

- To review the results and findings of the auditor, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made
- To review the draft financial report and the audit report and to make the necessary recommendation to the Board for the approval of the financial report.

As required

- To organise, review and report on any special reviews or investigations deemed necessary by the Board.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities.

Board of Directors
Mr. John B Burrows
B Comm., FCA
Dr. Robert F Tynan
MB BS, MBA
Dr. Henry Preston
MB BS, FRCPA, MIAC, AIMM

Company Secretary
Mr. Nigel Purves
B.Fin. Admin, Dip. Fin. Mgt., MBA, ACIS, ACA, FCPA

Auditors
KPMG
Chartered Accountants

Solicitors
Freehills
McCabe Terrill

Bankers
National Australia Bank Limited

Registered Office
Level 3, 302-306 Elizabeth Street,
Surry Hills NSW 2010

Internet Web Address
www.cosmos.com.au

Share Registry
Computer share Registry Services
Level 3, 60 Carrington Street
Sydney, NSW 200
Telephone: +61 02 8234 5222
Facsimile: + 61 02 8234 5050

Shareholders with questions regarding their shareholding should contact the Share Registry.

Change of Address
Shareholders who have changed address should advise the share registry in writing.

Stock Exchange Listing and Share Price
The Company's issued ordinary shares are listed on the Australian Stock Exchange.

The Company's share price is quoted daily in national newspapers as well as on a number of information services and web sites. The price can also be obtained by phoning "MarketCall" on 1902 941 520 quoting code 6102. This call attracts a charge from your telephone service provider