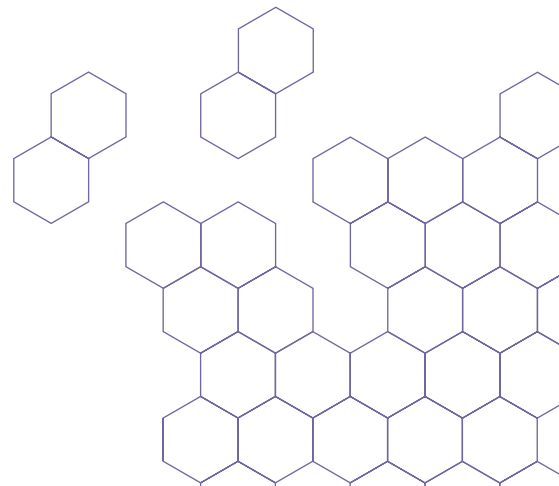




HarvestRoad.

HarvestRoad Limited ABN 36 075 174 855

 *Annual Report 2003*





Corporate Directory

Directors

Grame Barty - Executive Chairman
Hamish Giles - Non Executive Director
Michael Malbourne - Non Executive Director

Company Secretary

Mark Ashforth

Solicitors to the Company

Clayton Utz
QV.1
250 St George's Terrace
Perth WA 6000

Auditors

KPMG
Level 31
Central Park
152- 158 St George's Terrace
Perth WA 6000

Share Registry

Computershare Registry Services Pty Ltd
Level 2
45 St George's Terrace
Perth WA 6000

Registered Office

Perth Head Office

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10 William Street
Perth WA 6000
Telephone: +61 8 9338 3000
Facsimile: +61 8 9338 3099

Sydney

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299 Elizabeth Street
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Executive Chairman's Report

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Introduction

In the FY 2002-2003 HarvestRoad Ltd successfully transitioned from software 'research and development' to software 'commercialisation' mode.

The Company implemented a stringent cost management programme throughout the financial year. Having an internationally recognised product released and generally available for sale from February 2003 resulted in an immediate impact on the Company's revenue base in the second half of the year.

Building a Business

In February 2003, the Company officially launched its flagship product HarvestRoad Learning Content Management System (LCMS) 2.0 at the BlackBoard Users Group Conference in Baltimore, USA.

In the same quarter the Company's key reference accounts; Open Learning Australia, the Northern Territory Department of Education and the Australian Department of Defence deployed the new version.

In addition the Company received orders from Griffith University in Queensland, Swinburne University of Technology in Melbourne, Erasmus University, Delft University, and Wageningen Agricultural University in the Netherlands, Brigham Young University, Utah and the University of South Florida. Significant business development activity was also undertaken in the UK higher education market where HarvestRoad expects to make major sales in the coming year.

Importantly, almost all new sales are based on a software-leasing model and therefore create recurring annual income streams.

During the year the Company also undertook significant business development activity in the Federal Schools Online Curriculum Management market with three foreign Ministries of Education – an area where the HarvestRoad application excels. The value of these sales in FY 2003-2004 is estimated to exceed \$4 million.

During the year the Company became a software development partner of IBM to facilitate the integration of the HarvestRoad LCMS to IBM's newly launched Learning Management System. The Company and the IBM sales team in Asia Pacific and Europe are researching the Defence and corporate market potential with this joint capability.

The Company has also appointed new agents in Singapore, Mexico, Malaysia and the United Kingdom to help expand its marketing services internationally and has become a member of the worldwide WebCT Powerlinks Network.

As part of the Company's recognised market leadership and ongoing initiatives it signed an exclusive Master Distributor Agreement for a UK developed industry standards compliant, content authoring application. This tool has been integrated with the HarvestRoad LCMS to enable the creation of web based (HTML) content utilizing Microsoft Word without the need for specialised authoring skills and is already deployed within a major higher education site in the US.

Creating Market Interest Globally

HarvestRoad continues to market its activity around the globe. This activity has included:

- Participation in Educause USA in October 2002

Executive Chairman's Report



Annual Report 2003

- Participation in the worldwide BlackBoard Users Group Conference in Baltimore, USA in February 2003
- Participation in Educause Australia in May 2003– opportunity to meet with and present to 500 clients and distributors in Adelaide
- Participation in AIIA-Cebit Software Showcase in Sydney in May 2003
- WebCT User Conference, San Diego
- AICTEC, Sydney
- ELearning RoundTable, Queensland
- WebCT User Conference Asia Pacific, Queensland
- Participation in the Digital University, Netherlands Learning Content Management Seminar in June 2003
- Presentations to Austrade Trade Commissioners from Chek Republic, UK, Mexico, Chile, Brazil and Germany

The company also undertook significant marketing activity in the fourth quarter to reposition its LCMS capability to that of an independent digital repository for national education networks, educational consortiums and very large learning enterprises – markets in which the product's functionality excels.

Winning Technology and Distributor Partnerships

HarvestRoad continued to impress its partners with its advanced functionality and application to the management of very large volumes of learning materials for consortium, very large organisations or national education department clients.

Major technology partner activity during 2002/2003 included:

- Successful testing in Singapore of the Company's application against HP's new Linux 'itanium' chip with deployments using this platform
- Integrating with Oracle 8i and 9i data base systems
- Integrating with Sun web servers
- Integrating with Sun and IBM Linux servers
- Signing a non exclusive eighteen month Global Distribution Agreement with BlackBoard Inc of Washington DC and integrating with BlackBoard LMS 5.5 and 6.0
- Signing a base level software partner agreement with WebCT to include marketing partnering to its top tier clients and signing an R&D Agreement with Murdoch University in Western Australia to develop an integration capability with WebCT's globally popular Campus Edition Version 4.0.
- Strong interest received from the Application Service Provider market and agreements being reached with international organisations including – Asia Pacific IBM hosting partner Corporate Learning Systems and Adelaide University in Australia.
- Signing a partnership Agreement with SABA Software Inc
- Teaming with Avilar Inc of Washington DC with their Learning Management System offering an exemplar solution for MOE projects and OLA style 'solutions' (the Company already partners with Avilar in OLA). In this instance the Company is taking advantage of having built a world leading system in OLA with Avilar already and Avilar is keen to cooperate with HarvestRoad.



Executive Chairman's Report

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Summary

The Company has successfully transitioned from software development mode to commercialisation of its HarvestRoad LCMS product with a global launch in Baltimore, Maryland and sales in Singapore, Australia, Belgium, Holland and the United States and with more countries to follow in FY 2003/2004.

The Company has established a technology leadership position in the Higher Education market and believes it is an outright prime mover in the Federal Schools Online Curriculum Management Market as evidenced by meeting the needs of Ministries of Education around the world.

The Company's association with a range of new technology and distribution partners provides for major sales opportunities globally, which the Board expects will result in a cashflow positive, profitable FY 2003/2004.

Finally, the identification of a new software partner to integrate HarvestRoad LCMS with a learning content authoring tool is an important technology and revenue initiative and will enhance the value of the HarvestRoad LCMS to the education market and demonstrate the Company's ability to work with third party developers, as well confirming the further maturing of the Company's business model.

On behalf of the Board I look forward to continuing to drive the business forward and to providing significant returns to shareholders.

Graeme Barty

Executive Chairman
HarvestRoad Limited

Directors' Report



Directors' Report for the year ended 30 June 2003

The Directors present their report together with the financial report of HarvestRoad Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2003 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name & Qualifications	Age	Experience and Special Responsibilities
Mr Grame David Barty B.A., M.I.I.M Executive Chairman Chief Executive Officer	47	<p>Mr Barty is the founder of HarvestRoad Limited.</p> <p>An IT industry veteran Mr Barty has held senior executive appointments in organisations including Fujitsu Australia, Nortel Australia and Telecom New Zealand.</p> <p>Director since 8 August 1996.</p> <p>Managing Director since inception in August 1996 to September 2001, Mr Barty was appointed Executive Chairman 12 November 2002.</p> <p>Mr Barty has been a board member of the Australian Export Commission – Austrade since May 2001.</p>
Mr Hamish Macdougall Giles, LLB, B.Econs, ATMA, FPA Independent Non-Executive Director	43	<p>Mr Giles is founder and Director of Salmon Giles Pty Ltd, a Melbourne based consultancy firm.</p> <p>Director since 29 October 1996.</p> <p>Chairman of the Audit and Compliance Review Committee and member of the Remuneration Committee.</p> <p>Mr Giles has qualifications in Law and Accounting and provides advice in relation to enterprise bargaining, innovative remuneration and incentive arrangements, business consulting and taxation planning.</p>



Directors' Report

Directors' Report for the year ended 30 June 2003

Name & Qualifications	Age	Experience and Special Responsibilities
Mr Michael Malbourne FCPA, FCIS, FTIA Independent Non Executive Director	59	<p>Appointed 31 January 2003. Member of the Audit and Compliance Committee.</p> <p>Mr Malbourne is currently an Executive Director of Australia Innovative Fund Management Pty Ltd and Austock Private Capital Ltd venture capital and consulting groups.</p> <p>Mr Malbourne has had extensive experience in senior management, marketing, finance, company management and accounting roles over more than 30 years.</p> <p>Mr Malbourne has worked for and with SIRF Ltd, Exicom Ltd, Pratt Industries Group, Caterpillar Tractor Coy, ES&A Bank Ltd and is a director and consultant to a number of high growth companies that require significant value-add to exploit and commercialise their technologies.</p>
Mr George Albert Bradbury B.Econs, FAICD	61	<p>Director since 19 February 1999. Resigned 29 November 2002.</p>
Mr Peter Campbell Harley B.Comm, FCPA, FAICD	53	<p>Director since 12 September 2001. Resigned 31 October 2002.</p>
Mr Peter Richard James	53	<p>Director since 2 December 1999. Resigned 31 January 2003.</p>



Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Directors' Meetings		Audit and Compliance Review Committee		Remuneration Committee		Strategy Review	
	A	B	A	B	A	B	A	B
Mr G A Bradbury	4	4	-	-	-	-	-	-
Mr P C Harley	4	4	-	-	-	-	-	-
Mr G D Barty	6	6	-	-	-	-	-	-
Mr H M Giles	6	6	3	3	-	-	-	-
Mr P R James	2	5	-	-	-	-	-	-
Mr M Malbourne	2	2	-	-	-	-	-	-

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office during the reporting period.

Principal Activities

The principal activity of the consolidated entity is the design, development and commercialisation of content management systems that enable the collection, management, re-use and sharing of any type of content within the education, defence, government and corporate markets.

The consolidated entity is an industry leader in supporting:

- The use of learning materials in the delivery of online courses within the Higher Education, K-12 and corporate markets;
- Security and network optimisation within highly distributed Defence and government organisations; and
- Seamless integration with business applications to enable business process customisation within corporate markets.

Review and results of operations

Financial

The net loss of the consolidated entity for the year ended 30 June 2003 after tax was \$2,497,472 (2002: \$3,692,000).

During the year the Company has successfully transitioned from product development to commercialisation with significant global marketing activity being undertaken and new orders having been received particularly in the latter part of the year.

The levels of interest in HarvestRoad products remain strong and the opportunities are continuing to develop on a global basis. The focus for the Company is now firmly on selling product and managing global distributors and agents to achieve sales targets.



Business Strategy Going Forward

The majority of Research and Development work is now complete and the Company believes the barrier to entry for competing vendors is high.

An increasing awareness of HarvestRoad Hive 2.0 capability in the education and defence markets means the Company is now in a position to establish new partner relationships - in both the distribution and technology areas. In the immediate term, establishing new partners will be the critical activity undertaken to enhance selling capability globally - as well as providing multiple, independent sources of software licensing revenue.

The Company's objective is to generate accelerated, but reliable, cumulative annual revenue.

Dividends

As the Company has not made a profit for the financial year ended 30 June 2003 no dividend is recommended.

The Company is considering various options to reward Shareholders once it is profitable including the payment of dividends.

State of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- A significant restructuring of the Company and the Board took place and as a result redundancies were undertaken so as to pursue the strategy of preserving the extensive core intellectual property of the business but at the same time reduce cash outflow.
- The Company will continue to invest in the development of the intellectual property of its

content management system application particularly for the Education and Defence market sectors.

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board is not aware of any significant breach of environmental requirements as they apply to the consolidated entity.

Events Subsequent to Balance Date

Other than the matters disclosed in note 30 in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely in the opinion of the Directors of the Company, to significantly effect the operations of the consolidated entity, the results of those operations or the state of the affairs of the consolidated entity in future financial years.

Likely Developments

The consolidated entity will continue to pursue its policy of developing and increasing sales of its software products and related services, particularly in the education, corporate and defence market sector.

Further information about likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.



Directors and Senior Executives' emoluments

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Options are issued under an Employee Option Plan to Directors and executives. The options vest one third one year from the date of issue, one third two years from the date of issue, and one third three years from the date of issue. The options expire the

earlier of five years from the date of issue or on the termination of employment of the holder and each option entitles the holder to purchase one ordinary share in the Company. The estimated value disclosed below is calculated at the date of issue using the Black-Scholes Model. The following factors were utilised in the calculation; discount rate of 5.25%, share price of 10.5 cents, term of 5 years and volatility of 20%. Further details of options granted during the year are set out under Options below.

Details of the nature and amount of each major element of the emoluments of each Director of the Company and each of the five named officers of the Company receiving the highest emoluments are:

	Base Emolument \$	Non-cash Benefits \$	Options issued \$	Superannuation Contributions \$	Total \$
Director					
<i>Executive</i>					
P. Harley (A)	80,000	1,793	-	2,380	84,173
G. Barty (B)	93,000	3,336	-	3,075	99,411
<i>Non-executive</i>					
G. Bradbury (C)	4,688	18,500	-	-	23,188
H. Giles	16,667	10,310	-	-	26,977
P. James (D)	-	10,310	-	-	10,310
M. Malbourne (E)	10,415	-	-	-	10,415
Executive officers					
The Company and Consolidated					
<i>Current</i>					
D Wilson	116,500	3,764	8,450	9,900	138,614
A Bartel	84,167	7,000	102	7,575	98,844
L Masterman	87,500	1,777	157	7,875	97,309
J Townshend	81,600	-	-	7,344	88,944
J Street	68,691	-	-	-	68,691

(A) P Harley (Managing Director) Resigned on 31 October 2002

(B) G Barty was a Non-Executive Director until his appointment as Executive Chairman on 12 November 2002.

(C) G Bradbury resigned as a Non-Executive Director on 22 November 2002.

(D) P James resigned as a Non-Executive Director on 31 January 2003.

(E) M Malbourne was appointed as a Non-Executive Director on 31 January 2003.



Directors' Report

Directors' Report for the year ended 30 June 2003

Options

During or since the end of the financial year, the Company granted options over unissued ordinary shares to the following Directors and those of the Executive Officers named above as part of their remuneration:

	Number of options granted	Exercise Price	Expiry date
Directors			
Nil			
Officers			
D Wilson	133,333	\$0.10	September 2007
D Wilson	133,333	\$0.10	September 2008
D Wilson	133,334	\$0.10	September 2009

The details of the Employee Option Plan are detailed under Note 25. Each Director and executive officer is only entitled to options as at specified vesting dates.

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

Expiry date	Exercise price	Number of options
15 March 2004	\$2.00	500,000
30 August 2004	\$0.20	2,026,656
30 August 2004	\$0.40	3,000,000
20 December 2004	\$0.90	1,000,000
14 February 2006	\$0.72	665,933
14 February 2006	\$0.60	2,156,658
24 February 2006	\$0.60	1,575,000
9 July 2006	\$0.22	100,000
9 July 2006	\$0.20	615,044
28 February 2007	\$0.20	75,000
30 November 2007	\$0.10	550,000

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

During or since the end of the financial year the Company issued no ordinary shares as a result of the exercise of options.

Directors Interests

The relevant interest of each Director in the shares and options issued by the Company, as notified by the Directors to the Australian Stock Exchange Limited in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:



HarvestRoad Limited

	Ordinary shares	Options over ordinary shares
Mr G Barty	4,156,495	1,477,472
Mr H Giles	756,894	700,000
Mr M Malbourne	1,200,000	Nil

Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the following current Directors of the Company, Mr G D Barty, Mr H M Giles and Mr M Malbourne and the following former directors, Mr P R James, Mr G A Bradbury, Mr P C Harley, Mr G Rasmussen and Mr D J Price 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 entities, 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 Company has also agreed to indemnify the current Directors of its controlled entities for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, 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 Company has agreed to indemnify executive officers and employees for all liabilities to another person (other than the Company or a related body corporate) that may arise from their position in the Company and its controlled entities, 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.

Insurance premiums

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

Signed in accordance with a resolution of the Directors:

HarvestRoad Limited

G. Barty

Executive Chairman, Perth WA,

Dated this 16th day of September 2003.



Independent audit report to members of HarvestRoad Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both HarvestRoad Limited (the "Company") and HarvestRoad Group (the "Consolidated Entity"), for the year ended 30 June 2003. The Consolidated Entity comprises both the company and the entities it controlled during that year.

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

Audit approach

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

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

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

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

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

Independence

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



Audit opinion

In our opinion, the financial report of HarvestRoad Limited is in accordance with:

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

KPMG

J G Robison
Partner

Perth
Dated: 16 September 2003



Directors' Declaration

Directors' Declaration 30 June 2003

In the opinion of the Directors of HarvestRoad Limited:

- (a) the financial statements and notes, set out on pages 19 to 45, 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 2003 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia 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:

HarvestRoad Limited

G. Barty

Executive Chairman

Perth WA,

Dated this 16th day of September 2003.

Statements of Financial Performance

Statements of Financial Performance for the year ended 30 June 2003



	Note	CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		\$	\$	\$	\$
Revenue from the sale of goods	2	791,042	633,962	791,042	633,962
Revenue from rendering of services	2	273,066	1,013,363	241,289	725,603
Other revenue from ordinary activities	2	425,269	1,093,969	425,269	1,160,348
Total revenue	2	1,489,377	2,741,294	1,457,600	2,519,913
Cost of goods sold		(90,114)	(1,931,633)	(90,114)	(1,908,292)
Service revenue expenses		-	(805,350)	-	(676,958)
Marketing expenses		(38,920)	(200,236)	(38,920)	(199,247)
Occupancy expenses		(362,041)	(320,404)	(362,041)	(320,404)
Administration expenses		(3,204,065)	(2,123,355)	(3,400,212)	(2,091,879)
Borrowing costs expense		(5,472)	(39,221)	(5,472)	(39,221)
Other expenses from ordinary activities		(286,237)	(1,013,095)	(283,275)	(902,557)
Loss from ordinary activities before					
income tax expense	3	(2,497,472)	(3,692,000)	(2,722,434)	(3,618,645)
Income tax expense	5	-	-	-	-
Net loss attributable to members of					
the parent entity	21	(2,497,472)	(3,692,000)	(2,722,434)	(3,618,645)
Basic loss per share ordinary shares	6	(0.05)	(0.079)		

The statements of financial performance are to be read in conjunction with the accompanying notes to the financial statements set out on pages 18 to 47.



Statements of Financial Position

Statements of Financial Position as at 30 June 2003

	Note	CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		\$	\$	\$	\$
Current Assets					
Cash assets	8	725,440	2,433,731	725,440	2,392,924
Receivables	9	144,925	315,330	144,925	324,957
Other	10	81,207	82,236	81,207	227,236
Total Current Assets		951,572	2,831,297	951,572	2,945,117
Non-Current Assets					
Other financial assets	11	-	266,257	-	470,550
Plant and equipment	12	516,895	748,219	516,742	737,182
Intangibles	13	-	116,411	-	1,634
Total Non-Current Assets		516,895	1,130,887	516,742	1,209,366
Total Assets		1,468,467	3,962,184	1,468,314	4,154,483
Current Liabilities					
Payables	14	361,645	290,892	361,645	271,745
Interest-bearing liabilities	15	143,308	159,425	143,308	159,425
Provisions	17	141,275	430,199	141,275	418,772
Other	18	28,963	169,101	28,963	169,101
Total Current Liabilities		675,191	1,049,617	675,191	1,019,043
Non-Current Liabilities					
Interest-bearing liabilities	15	-	143,309	-	143,309
Provisions	17	31,482	33,419	31,482	31,482
Total Non-Current Liabilities		31,482	176,728	31,482	174,791
Total Liabilities		706,673	1,226,345	706,673	1,193,834
Net Assets		761,794	2,735,839	761,641	2,960,649
Equity					
Contributed Equity	19	19,448,984	18,925,558	19,448,984	18,925,558
Reserves	20	18,000	18,000	18,000	18,000
Accumulated losses	21	(18,705,190)	(16,207,719)	(18,705,343)	(15,982,909)
Total Equity		761,794	2,735,839	761,641	2,960,649

The statements of financial position are to be read in conjunction with the accompanying notes to the financial statements set out on pages 18 to 47.

Statements of Cash Flows



Statements of Cash Flows for the year ended 30 June 2003

	Note	CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		1,177,558	2,504,836	1,078,654	2,166,525
Cash payments in the course of operations		(2,638,220)	(5,533,940)	(2,498,509)	(5,294,043)
Distributions received		-	-	-	202,978
Interest received		50,919	177,701	50,919	174,592
Interest paid		(3,099)	(39,221)	(3,099)	(39,221)
Government grants received		99,820	999,452	99,820	994,940
Net cash (used in) operating activities	24(b)	(1,313,022)	(1,891,172)	(1,272,215)	(1,794,229)
Cash flows from investing activities					
Proceeds on disposal of non-current assets		165,725	109,396	165,725	109,396
Payments for plant and equipment		(47,232)	(162,217)	(47,232)	(161,253)
Payment for :					
Research and development		(1,064,418)	(1,163,791)	(1,064,418)	(1,163,791)
Intangible assets		-	(750)	-	(750)
Net cash (used in) investing activities		(945,925)	(1,217,362)	(945,925)	(1,216,398)
Cash flows from financing activities					
Proceeds from issues of shares		493,425	-	493,425	-
Finance lease payments		(159,426)	(329,427)	(159,426)	(329,427)
Proceeds from restricted term deposits		216,657	160,570	216,657	160,570
Net cash (used in)/provided by financing activities		550,656	(168,857)	550,656	(168,857)
Net decrease in cash held		(1,708,291)	(3,277,391)	(1,667,484)	(3,179,484)
Cash at beginning of the financial year		2,433,731	5,711,122	2,392,924	5,572,408
Cash at the end of the financial year	24(a)	725,440	2,433,731	725,440	2,392,924

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 18 to 47.



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

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.

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

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

(b) Going Concern

The consolidated entity has incurred losses since incorporation, will continue to utilise existing cash reserves and therefore erode its positive working capital position. At 30 June 2003, the Company and the Consolidated entity have a surplus in working capital of \$276,381 (2002: \$362,830)

Notwithstanding the above, the financial report has been prepared on a going concern basis due to:

- Subsequent to year end, successfully completing the placement, of the shortfall under the Rights Issue Prospectus dated 15 April 2003 together with a further placement raising \$667,000 in total;
- During the 2003 year, management completed a significant restructuring of the business which included the closure of loss making business divisions and the redundancy of personnel which has lead to significantly lower costs;
- The preparation of cash flow forecasts by management which demonstrate that sufficient cash resources exist to meet the Company's 2004 budget and business strategy;
- A number of additional very promising opportunities for revenue creation exist and Directors are confident with respect to these prospects.

Accordingly, the Directors believe that the preparation of the financial statements on a going concern basis is appropriate.

(c) Principles of consolidation

Controlled entities

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

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

(c) Principles of consolidation (continued)

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

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Sales of goods

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

Interest Revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Rendering of Services

Revenue from rendering services is recognised in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the work performed.

Where it is anticipated that a contract will result in a loss, the full loss is recognised immediately as an expense.

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.

Research and development grants

Where a grant is received or due to be received relating to research and development costs that have been expensed, the grant is recognised as revenue. The recognition of the grant revenue is deferred to the extent to which obligations under the grant are not performed at year end.

(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.



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

(e) Goods and services tax (continued)

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 statements of financial position.

Cash flows are included in the statements of cash flows on a gross basis. The GST components 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

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts receivable in foreign currencies are brought to account as exchange gains or losses in the statements of financial performance in the financial year the exchange rates change.

(g) Taxation

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

Income tax expense is calculated on operating loss 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 statements 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 effect of capital losses is not recorded unless realisation is virtually certain.

(h) Acquisition of assets

All assets acquired including plant and equipment and intangibles other than goodwill (refer note 1(l)) are initially recorded at their cost of acquisition at the date of 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.

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

(h) Acquisition of assets (continued)

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.

(i) Receivables

The collectability of debts is assessed at balance date and provision is made for any doubtful accounts.

Trade Debtors

Trade debtors to be settled within 60 days are carried at amounts due.

(j) Investments

Controlled entities

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

Other entities

Investments in other entities are carried at the lower of cost and recoverable amount.

(k) 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. Also refer to Note 23.

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.



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

(l) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

(m) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the 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 its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In determining the recoverable amounts of non-current assets, the relevant cashflows have not being discounted to their present value.

(n) Depreciation and amortisation

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 from the date of acquisition.

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.

Depreciation and amortisation are expensed, except to the extent to which they are capitalised as research and development costs.

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

	2003	2002
<i>Plant and equipment</i>		
Plant and equipment	20% to 40%	20% to 40%
Leasehold improvements	20%	20%
Leased plant and equipment	13.5% to 40%	13.5% to 40%
<i>Intangibles</i>		
Goodwill	5 years*	5 years
Patents and trademarks	5 years*	5 years

* Amounts were written off during the reporting period

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

(o) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payables are normally settled within 60 days.

(p) Employee Entitlements

Wages, salaries, annual leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within twelve months of the year end represent present obligations resulting from employees services provided to reporting date, calculated at undiscounted amounts based on remuneration, wages and salary rates that the consolidated entity expected to pay as at reporting date including related on costs.

Long Service Leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to balance date.

The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

Employee Option Plan

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

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

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

Superannuation Plan

The Company and other controlled entities contribute to several superannuation plans. Contributions are charged against income as they are incurred. Further information is set out in Note 25.



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

(q) Provisions

A provision is recognised when a legal or constructive obligation exists, as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability, except where noted below.

Surplus leased premises

Provision is made for non-cancellable operating lease rentals payable on surplus leased premises when it is determined that no substantive future benefit will be obtained by the consolidated entity from its occupancy. This arises where premises are currently leased under non-cancellable operating leases and either the premises are not occupied, are being sub-leased for lower rentals than the consolidated entity pays or there will be no substantive benefits beyond a known future date.

Any necessary provision is calculated on the basis of discounted net future cash flows, using the interest rate implicit in the lease or an estimate thereof.

Redundancy

Provision is only recognised when specific employees have been identified and notified in respect to their redundancy prior to year end.

(r) 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 capitalised.

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
2 REVENUE FROM ORDINARY ACTIVITIES				
Sale of goods revenue from operating activities	791,042	633,962	791,042	633,962
Rendering of services revenue from operating activities	273,066	1,013,363	241,289	725,603
Other revenue from ordinary activities:				
<i>From operating activities</i>				
Distributions:				
Related parties	-	-	-	74,000
Interest:				
Other parties	50,919	177,701	50,919	174,592
<i>From outside operating activities</i>				
Gross proceeds from sale of non-current assets	165,725	109,396	165,725	109,396
Insurance proceeds received	-	2,214	-	2,214
Export market development grant	53,800	37,689	53,800	33,177
R&D Start Grant	147,256	703,094	147,256	703,094
Rental income	-	42,175	-	42,175
Other income	7,569	21,700	7,569	21,700
Total other revenue from ordinary activities	425,269	1,093,969	425,269	1,160,348
Total revenue from ordinary activities	1,489,377	2,741,294	1,457,600	2,519,913
3 LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE				
(a) Individually significant items included in the loss from ordinary activities before income tax expense				
Restructuring	-	229,807	-	229,807



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
3 LOSS FROM ORDINARY ACTIVITIES				
BEFORE INCOME TAX EXPENSE (continued)				
(b) Loss from ordinary activities before				
income tax expense has been arrived at				
after charging/(crediting) the following items:				
Depreciation of:				
plant and equipment	174,436	216,130	178,305	208,472
Amortisation of:				
Goodwill	114,777	48,327	-	-
Other intangibles	1,634	1,418	1,634	1,418
Leased plant and equipment	25,996	50,951	25,996	50,951
Leasehold improvements	73,300	73,301	73,300	73,301
Total depreciation and amortisation	390,143	390,127	279,235	334,142
Write down in value of investment in unlisted shares	-	-	253,893	-
Write down in value of investment in listed shares	-	43,400	-	-
Borrowing costs:				
Finance charges on capitalised leases	3,099	37,720	3,099	37,720
Other	-	1,501	-	1,501
Net bad and doubtful debts expense including movements in provision for doubtful debts	(2,651)	127,879	(2,651)	127,879
Net expense/(gain) from movement in provision for:				
Employee entitlements	(104,549)	(24,757)	(91,185)	(30,500)
Warranties	-	(20,000)	-	(20,000)
Redundancy	(94,674)	94,674	(94,674)	94,674
Surplus lease space	(91,638)	(116,181)	(91,638)	(116,181)
Operating lease rental expense:				
Minimum lease payments	182,189	253,394	182,189	253,394

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
3 LOSS FROM ORDINARY ACTIVITIES				
BEFORE INCOME TAX EXPENSE (continued)				
Net (gain)/loss on disposal of non-current assets:				
Investments	(165,725)	-	(165,725)	-
Plant & equipment	(1,359)	(91,753)	(1,359)	(91,753)
Research & development expense	1,064,418	1,163,791	1,064,418	1,163,791
4 AUDITORS' REMUNERATION				
Audit Services:				
Audit and review of financial reports – KPMG	20,495	24,420	20,495	24,420
Other Services:				
Auditors of the Company – KPMG				
- Tax Services	2,050	12,100	2,050	12,100
	22,545	36,520	22,545	36,520
5 TAXATION				
(a) Income Tax Expense				
Prima facie income tax (benefit) calculated at 30% (2002: 30%) on the loss from ordinary activities	(749,242)	(1,107,600)	(816,730)	(1,085,593)
Decrease in income tax benefit due to:				
Amortisation of intangible assets	34,923	14,923	480	425
Entertainment	938	2,137	938	1,915
Non-deductible issue of shares	-	11,250	-	11,250
Sundry Items	-	1,167	-	1,167
Income tax benefit on operating loss	(713,381)	(1,078,123)	(815,312)	(1,070,836)
Future income tax benefit not bought to account	713,381	1,078,123	815,312	1,070,836
Income tax expense attributable to operating loss	-	-	-	-



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
5 TAXATION (continued)				
(b) Deferred tax liabilities				
Provision for deferred income tax				
Provision for deferred income tax comprises the estimated expense at the applicable rate of 30% (2002: 30%) on the following items:				
Prepayments	-	11,480	-	11,480
Accrued income	-	14,741	-	14,741
Capitalised leases	-	23,431	-	23,431
Less: Future income tax benefit offset	-	(49,652)	-	(49,652)
	-	-	-	-
(c) Deferred tax assets				
<i>Future income tax benefit</i>				
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2002: 30%) on the following items:				
Provisions and accrued employee entitlements not currently deductible	51,827	165,678	51,827	135,076
Write down in non-current assets and investments	-	26,032	-	-
Provision for doubtful debts	1,500	51,322	1,500	51,322
Accruals	28,408	34,434	28,408	34,138
Capitalised leases	26,089	-	26,089	-
Unearned revenue	8,689	50,730	8,689	50,730
Future income tax benefit not brought to account	(116,513)	(278,544)	(116,513)	(221,614)
Less offset against provision for deferred income tax	-	(49,652)	-	(49,652)
	-	-	-	-

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
5 TAXATION (continued)				
<i>Future income tax benefit not brought to account</i>				
Tax losses carried forward at 30% (2002: 30%)	4,901,978	4,188,597	5,111,652	4,296,350
Timing differences	116,513	278,544	116,513	221,614
	<u>5,018,491</u>	<u>4,467,141</u>	<u>5,228,165</u>	<u>4,517,964</u>

The potential future income 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 continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant company and/or the consolidated entity in realising the benefit.

6 EARNINGS PER SHARE

	CONSOLIDATED	
	2003	2002
	No.	No.
Weighted average number of ordinary shares used in the calculation of basic earnings per share	49,931,757	46,537,996

The amount used as the numerator in calculating basic EPS is the same as the net loss reported in the statement of financial performance.

There are no dilutive potential ordinary shares therefore dilutive EPS has not been calculated or disclosed.

7 SEGMENT INFORMATION

The consolidated entity operates in the information technology business segment, predominantly in Australia. The consolidated entity supplies content management software.



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
8 CASH ASSETS				
Cash	249,966	542,713	249,966	501,906
Bank short term deposits, maturing within 30 days and interest at a weighted average interest rate of 4.63% (2002: 4.48%)	475,474	1,891,018	475,474	1,891,018
	725,440	2,433,731	725,440	2,392,924
9 RECEIVABLES				
Current				
Trade debtors	111,515	382,127	111,515	318,060
Less: Provision for doubtful trade debtors	(5,000)	(171,072)	(5,000)	(171,072)
	106,515	211,055	106,515	146,988
Other receivables	38,410	104,275	38,410	103,969
Amount receivable from controlled entity	-	-	-	74,000
	144,925	315,330	144,925	324,957
10 OTHER CURRENT ASSETS				
Prepayments	81,207	82,236	81,207	227,236F
11 OTHER FINANCIAL ASSETS				
Non-current				
Cash				
Restricted bank short term deposits, maturing within 60 days and interest at a weighted average interest rate of 4.63% (2002: 4.48%)	-	216,657	-	216,657
Controlled entities				
<i>Unlisted shares at cost</i>	-	-	253,893	253,893
<i>Provision for diminution</i>	-	-	(253,893)	-
<i>Listed shares at cost</i>	-	136,373	-	-
<i>Provision for diminution</i>	-	(86,773)	-	-
	-	49,600	-	253,893

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
11 OTHER FINANCIAL ASSETS (continued)				
Other entities				
<i>Unlisted shares at cost</i>	-	250,000	-	250,000
<i>Provision for diminution</i>	-	(250,000)	-	(250,000)
	-	-	-	-
	-	266,257	-	470,550
12 PLANT AND EQUIPMENT				
Plant and equipment				
<i>At cost</i>	990,911	946,393	990,443	890,792
<i>Accumulated depreciation</i>	(724,751)	(551,863)	(724,436)	(507,299)
	266,160	394,530	266,007	383,493
Leased plant and equipment				
<i>At capitalised cost</i>	354,937	370,431	354,937	370,431
<i>Accumulated amortisation</i>	(298,593)	(284,433)	(298,593)	(284,433)
	56,344	85,998	56,344	85,998
Leasehold improvements				
<i>At cost</i>	566,172	566,172	566,172	566,172
<i>Accumulated depreciation</i>	(371,781)	(298,481)	(371,781)	(298,481)
	194,391	267,691	194,391	267,691
Total plant and equipment net book value	516,895	748,219	516,742	737,182
Reconciliations				
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:				
<i>Plant and equipment</i>				
Carrying amount at beginning of the year	394,530	456,269	383,493	438,538
Additions	47,232	162,217	62,135	161,253
Disposals	(1,316)	(7,826)	(1,316)	(7,826)
Depreciation	(174,436)	(216,130)	(178,305)	(208,472)
Carrying amount at end of year	266,160	394,530	266,007	383,493



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
12 PLANT AND EQUIPMENT (continued)				
<i>Leased Plant and equipment</i>				
Carrying amount at beginning of the year	85,998	147,224	85,998	147,224
Disposals	(3,658)	(10,275)	(3,658)	(10,275)
Amortisation	(25,996)	(50,951)	(25,996)	(50,951)
Carrying amount at end of year	56,344	85,998	56,344	85,998
<i>Leasehold Improvements</i>				
Carrying amount at beginning of the year	267,691	340,992	267,691	340,992
Amortisation	(73,300)	(73,301)	(73,300)	(73,301)
Carrying amount at end of year	194,391	267,691	194,931	267,691
13 INTANGIBLES				
Goodwill – at cost	788,131	788,131	546,497	546,497
Accumulated amortisation	(363,078)	(248,301)	(121,444)	(121,444)
Write down in carrying amount	(425,053)	(425,053)	(425,053)	(425,053)
	-	114,777	-	-
Trademarks – at cost	6,750	6,750	6,750	6,750
Accumulated amortisation	(6,750)	(5,116)	(6,750)	(5,116)
	-	1,634	-	1,634
	-	116,411	-	1,634
14 PAYABLES				
Trade creditors	163,636	70,331	163,636	69,901
Other creditors and accruals	198,009	220,561	198,009	201,844
	361,645	290,892	361,645	271,745
15 INTEREST BEARING LIABILITIES				
Current				
Lease liabilities (note 23) – secured	143,308	159,425	143,308	159,425
	143,308	159,425	143,308	159,425
Non-Current				
Lease liabilities (note 23) – secured	-	143,309	-	143,309
	-	143,309	-	143,309

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
16 AMOUNTS RECEIVABLE IN FOREIGN CURRENCIES				
The Australian dollar equivalents of unhedged amounts receivable in foreign currencies, calculated at year end exchange rates, are as follows:				
Malaysian Ringgit				
<i>Current</i>	-	49,506	-	-
US Dollars				
<i>Current</i>	30,000	-	30,000	-
	30,000	49,506	30,000	-
17 PROVISIONS				
Current				
Employee entitlements – Note 25	133,424	236,036	133,424	224,609
Redundancy	-	94,674	-	94,674
Surplus leased premises	7,851	99,489	7,851	99,489
	141,275	430,199	141,275	418,772
Non-Current				
Employee entitlements – Note 25	31,482	33,419	31,482	31,482
<i>Reconciliations</i>				
<i>Redundancy – current</i>				
Carrying amount at beginning of year	94,674		94,674	
Payments made during the year	(94,674)		(94,674)	
Carrying amount at end of year	-		-	
<i>Surplus leased premises – current</i>				
Carrying amount at beginning of year	99,489		99,489	
Payments made during the year	(91,638)		(91,638)	
Carrying amount at end of year	7,851		7,851	



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
18 OTHER CURRENT LIABILITIES				
Unearned revenue	28,963	169,101	28,963	169,101
19 CONTRIBUTED EQUITY				
Issued and paid-up share capital 55,384,907 (2002 : 47,059,091) ordinary shares, fully paid	19,448,984	18,925,558	19,448,984	18,925,558
	19,448,984	18,925,558	19,448,984	18,925,558
<i>Movements during the year</i>				
(a) Ordinary shares				
Balance at the beginning of year	18,925,558	18,615,058	18,925,558	18,615,058
Shares issued				
- 300,000 (2002: nil) issued in respect to services rendered	30,000	-	30,000	-
- 4,666,000 (2002: nil) issued in respect to share placement	279,960	-	279,960	-
- 3,359,816 (2002: nil) issued in respect to Rights Issue Prospectus	213,466	-	213,466	-
- Nil (2002: 750,000) issued to acquire business operations	-	225,000	-	225,000
- Nil (2002: 150,000) issued to acquire business operations	-	85,500	-	85,500
Balance at end of year	19,448,984	18,925,558	19,448,984	18,925,558
(b) Obligation to issue ordinary shares				
Balance at the beginning of year	-	310,500	-	310,500
Shares issued				
- Nil (2002: 150,000) shares issued in relation to the acquisition of the Prism Group	-	(85,500)	-	(85,500)

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
19 CONTRIBUTED EQUITY (continued)				
- Nil (2002: 750,000) shares issued in relation to the acquisition of the assets of Cyber International	-	(225,000)	-	(225,000)
Balance at the end of year	-	-	-	-

At 31 July 2002, 300,000 shares were issued in the Company in respect to services rendered by Mooney Pty Ltd

In accordance with the share placement dated 20 December 2002, 4,666,000 shares were issued in the Company.

In accordance with the Rights Issue Prospectus dated 15 April 2003, 3,359,816 shares were issued in the Company

Terms and conditions

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

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

20 RESERVES

Share option	18,000	18,000	18,000	18,000
18,000	18,000	18,000	18,000	

21 ACCUMULATED LOSSES

Accumulated losses at beginning of year	(16,207,719)	(12,515,719)	(15,982,909)	(12,364,264)
Net loss attributable to members of parent entity	(2,497,472)	(3,692,000)	(2,722,434)	(3,618,645)
Accumulated losses at end of year	(18,705,190)	(16,207,719)	(18,705,343)	(15,982,909)



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

22 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest rate risk

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

	Note	Fixed interest maturing in:		Floating interest	Non-interest bearing	Total	Weighted average interest rate
		1 year or less	Over 1 to 5 years				
		\$	\$	\$	\$	\$	
2003							
<i>Financial assets</i>							-
Term Deposit	8	-	-	475,473	-	475,473	4.63%
Cash	8	-	-	249,266	700	249,966	2.90%
Receivables	9	-	-	-	144,925	144,925	-
<i>Financial liabilities</i>							
Payables	13	-	-	-	361,645	361,645	-
Lease liabilities	14	143,308	-	-	-	143,308	8.33%
Employee entitlements	25	-	-	-	164,906	164,906	-
2002							
<i>Financial assets</i>							
Term Deposit	8/11	-	-	2,107,675	-	2,107,675	4.48%
Cash	8	-	-	541,853	860	542,713	3.30%
Receivables	9	-	-	-	315,330	315,330	-
Investments	11	-	-	-	49,600	49,600	-
<i>Financial liabilities</i>							
Payables	15	-	-	-	290,892	290,892	-
Lease liabilities	16	159,425	143,309	-	-	302,734	8.16%
Employee entitlements	25	-	-	-	269,455	269,455	-
Redundancy provision	18	-	-	-	94,674	94,674	-

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

22 ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on 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 is not materially exposed to any individual overseas country or individual customer.

(c) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

Recognised financial instruments

Listed shares included in "Other Financial Assets" are traded in an organised financial market. The net fair value of listed shares are determined by valuing them at the current quoted market bid price for an asset. The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

The carrying amounts of cash and short term deposits, trade debtors, other debtors, accounts payable, lease liabilities and employee entitlements approximate net fair value.

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
23 COMMITMENTS				
Non cancellable operating lease commitments				
Future operating leases rentals not provided for in the financial statements and payable:				
Within one year	19,823	418,880	19,823	418,880
One year or later but not later than five years	-	19,823	-	19,823
	19,823	438,703	19,823	438,703



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
23 COMMITMENTS (continued)				
Non cancellable operating lease commitments				
Future operating lease rentals provided for in financial statements as surplus lease space				
Within one year	7,891	94,692	7,891	94,692
One year or later but not later than five years	-	7,891	-	7,891
	7,891	102,583	7,891	102,583

The consolidated entity leases property under non-cancellable operating leases expiring from two to five 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.

Finance lease payment commitments

Finance lease commitments are payable as follows:

Within one year	149,445	177,770	149,445	177,770
One year or later but not later than five years	-	149,445	-	149,445
	149,445	327,215	149,445	327,215
Less: Future lease finance charges	6,137	24,481	6,137	24,481
	143,308	302,734	143,308	302,734
Lease liabilities provided for in the financial statements				
Current (note 15)	143,308	159,425	143,308	159,425
Non-current (note 15)	-	143,309	-	143,309
Total lease liability	143,308	302,734	143,308	302,734

The consolidated entity leases plant and equipment and leasehold improvements under finance leases expiring from one to three years.

(a) Reconciliation of Cash

For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call. 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 statement of financial position as follows:

Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003



	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
24 NOTES TO THE STATEMENTS OF CASHFLOWS				
Cash – Note 8	249,966	542,713	249,966	501,906
Short term deposits – Note 8	475,474	1,891,018	475,474	1,891,018
	725,440	2,433,731	725,440	2,392,924
(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities				
Loss from ordinary activities after income tax	(2,497,472)	(3,692,000)	(2,722,434)	(3,618,645)
Add/(less) items classified as investing/financing activities:				
(Profit)/Loss on sale of non-current assets	(167,084)	(91,753)	(167,084)	(91,753)
Research & development expenditure	1,064,418	1,163,791	1,064,418	1,163,791
Add/(less) non-cash items:				
Depreciation	174,436	216,130	178,305	208,472
Amortisation	215,707	173,997	100,930	125,670
Write down in value of investments	-	43,400	253,893	-
Deferred gain on sale and leaseback of non-current assets	-	(16,594)	-	(16,594)
Non-cash employee expense	49,600	-	-	-
Net cash provided by operating activities before change in assets and liabilities	(1,160,394)	(2,203,029)	(1,291,972)	(2,229,059)
Change in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				
Decrease in net receivables	170,405	760,430	180,032	861,015
(Increase)/decrease in prepayments	1,029	(57,296)	146,029	(2,296)
Increase/(decrease) in payables and unearned revenue	(33,201)	(325,023)	(28,807)	(351,882)
(Decrease) in provisions	(290,861)	(66,254)	(277,497)	(277,497)
Net cash outflow used in operating activities	(1,313,022)	(1,891,172)	(1,272,215)	(1,794,229)



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
25 EMPLOYEE ENTITLEMENTS				
Aggregate liability for employee entitlements, including on-costs				
- Current – Note 17	133,424	236,036	133,424	224,609
- Non-current – Note 17	31,482	33,419	31,482	31,482
	164,906	269,455	164,906	256,091
The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted averages:				
Assumed rate of increase in salary rates	5.0%	5.0%	5.0%	5.0%
Average Discount rate	5.75%	5.75%	5.75%	5.75%
Settlement term (years)	15	15	15	15
Number of employees				
Number of employees at year end	20	41	20	38

Employee Option plan

The Company has an Employee Option Plan. Options are issued at the discretion of the Directors at no consideration. Each option is convertible to one ordinary share. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised. All options expire on the earlier of their expiry date or termination of the employee's employment. Options vest one third one year, one third two years and one third three years from the grant date.

Details of options over unissued ordinary shares at the beginning and ending of the reporting date and movements during the year are set out on the following pages. No options were exercised during the 2003 and 2002 years.

Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003



25 EMPLOYEE ENTITLEMENTS (continued)

Consolidated and Company 2003		Expiry Date	Exercise price	Number of options at beginning of year	Options granted	Options cancelled	Options exercised	Number of options at end of year on issue	Number of options at end of year vested
Grant date									
30 August 1999	30 August 2004	\$0.20	4,425,000	-	2,398,344	-	2,026,656	2,026,656	
20 December 1999	20 December 2004	\$0.90	600,000	-	-	-	600,000	600,000	
14 February 2001	14 February 2006	\$0.60	1,688,333	-	-	-	1,688,333	1,125,555	
14 February 2001	14 February 2006	\$0.72	3,000,000	-	2,334,067	-	665,933	443,955	
24 February 2001	24 February 2006	\$0.20	300,000	-	-	-	300,000	-	
24 February 2001	24 February 2006	\$0.30	300,000	-	-	-	300,000	-	
24 February 2001	24 February 2006	\$0.40	400,000	-	-	-	400,000	-	
24 February 2001	24 February 2006	\$0.60	1,000,000	-	531,675	-	468,325	312,217	
9 July 2001	9 July 2006	\$0.22	900,000	-	-	-	900,000	300,000	
9 July 2001	9 July 2006	\$0.20	615,044	-	-	-	615,044	615,044	
7 December 2001	7 December 2006	\$0.20	400,000	-	400,000	-	-	-	
7 December 2001	7 December 2006	\$0.30	400,000	-	400,000	-	-	-	
7 December 2001	7 December 2006	\$0.40	200,000	-	200,000	-	-	-	
28 February 2002	28 February 2007	\$0.20	75,000	-	-	-	75,000	25,000	
			14,303,377				8,039,291	5,448,427	
Consolidated and Company 2002									
30 August 1999	30 August 2004	\$0.20	4,425,000	-	-	-	4,425,000	4,425,000	
20 December 1999	20 December 2004	\$0.90	600,000	-	-	-	600,000	600,000	
14 February 2001	14 February 2006	\$0.60	1,688,333	-	-	-	1,688,333	562,778	
14 February 2001	14 February 2006	\$0.72	3,000,000	-	-	-	3,000,000	1,000,000	
24 February 2001	24 February 2006	\$0.20	300,000	-	-	-	300,000	100,000	
24 February 2001	24 February 2006	\$0.30	300,000	-	-	-	300,000	100,000	
24 February 2001	24 February 2006	\$0.40	400,000	-	-	-	400,000	133,333	
24 February 2001	24 February 2006	\$0.60	1,000,000	-	-	-	1,000,000	333,333	
9 July 2001	9 July 2006	\$0.22	-	900,000	-	-	900,000	-	
9 July 2001	9 July 2006	\$0.20	-	615,044	-	-	615,044	615,044	
7 December 2001	7 December 2006	\$0.20	-	400,000	-	-	400,000	-	
7 December 2001	7 December 2006	\$0.30	-	400,000	-	-	400,000	-	
7 December 2001	7 December 2006	\$0.40	-	200,000	-	-	200,000	-	
28 February 2002	28 February 2007	\$0.20	-	75,000	-	-	75,000	-	
			11,713,333				14,303,377	7,869,488	



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

25 EMPLOYEE ENTITLEMENTS (continued)

Superannuation plans

The Company and its controlled entities contribute to several defined contribution employee superannuation plans.

Details of contributions to the defined contribution plans during the year and contributions payable at 30 June 2003 are as follows:

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
Employer contributions to the plans	167,275	251,112	167,275	240,353
Employer contributions payable to the plans at balance date	13,806	18,184	13,806	17,431

26 DIRECTORS' REMUNERATION

Directors' income

The number of Directors of the Company whose income from the Company or any related party falls within the following bands:

\$ 10,000 - \$ 19,999			2	1
\$ 20,000 - \$ 29,999			2	2
\$ 40,000 - \$ 49,999			-	1
\$ 80,000 - \$ 89,999			1	-
\$ 90,000 - \$ 99,999			1	-
\$ 210,000 - \$219,999			-	1
\$ 230,000 - \$ 239,999			-	1

The remuneration bands are not consistent with the emoluments disclosed in the Directors' Report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

Total income paid or payable, or otherwise made available, to all Directors of the Company and controlled entities from the Company or any related party

	254,474	553,062	254,474	553,062
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Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

	CONSOLIDATED		THE COMPANY	
	2003	2002	2003	2002
	\$	\$	\$	\$
27 EXECUTIVES' REMUNERATION				
The number of Australian based executive officers of the Company and of controlled entities, whose remuneration from the Company or related parties, and from entities in the consolidated entity, falls within the following bands:				
\$ 100,000 - \$ 109,999			-	-
\$ 110,000 - \$ 119,999			-	1
\$ 120,000 - \$ 129,999			-	3
\$ 130,000 - \$ 139,999			1	-
Total income in respect of the financial year received, or due and receivable, from the Company, entities in the consolidated entity or related parties by executive officers of the Company and of controlled entities whose income is \$100,000 or more.	138,614	485,388	138,614	485,388

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

28 RELATED PARTIES

Directors

The names of each person holding the position of Director of HarvestRoad Limited during the financial year are:

Messrs G A Bradbury, P C Harley, G D Barty, H M Giles, P R James and M Malbourne. Mr P C Harley resigned as a Director of the Company on 31 October 2002 and Mr P R James resigned as a Director of the Company on 31 January 2003, and Mr G Bradbury resigned as a Director of the Company on 29 November 2002. Mr M Malbourne was appointed a Director of the Company on 31 January 2003.

Details of Directors' remuneration are set out in Note 26.

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' interests subsisting at year-end.



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

Directors' holding of shares and share options

The interests of Directors of the reporting entity and their Director-related entities in shares and share options of entities within the consolidated entity at year-end are set out below.

	CONSOLIDATED 2003 Number held	THE COMPANY 2002 Number held
HarvestRoad Limited		
Ordinary Shares	5,885,279	7,030,471
Options over Ordinary Shares	3,150,000	7,499,998

Directors' transactions in shares and share options

During the year, the Directors and their Director related-entities acquired, either directly or indirectly, a beneficial interest in 1,721,931 (2002: 304,686) ordinary shares of the Company.

During the year HarvestRoad Limited granted options over 1,250,000 (2002: 2,590,044) unissued shares under the Employee Option Plan.

During the year, no options granted to Directors and their Director-related entities were exercised (2002: nil).

Directors' transactions with the Company or its controlled entities

A number of directors of the Company, or their director-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

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.

The aggregate amounts recognised during the year relating to directors and their director-related entities were as follows:

Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003



28 RELATED PARTIES (continued)

Director	Transaction	CONSOLIDATED		THE COMPANY	
		2003	2002	2003	2002
		\$	\$	\$	\$
<i>Provided to the Director related entity</i>					
P R James	Sales revenue – supply of technical support	-	11,230	-	11,230
<i>Provided by the Director related entity</i>					
H M Giles	Consulting services	15,000	13,397	15,000	13,397
Amounts receivable from and payable to directors and their director-related entities at balance date arising from these transactions were as follows:					
Current receivables					
	Trade debtors	-	-	-	-
Current payables					
	Trade creditors	54,584	37,356	54,584	37,356
Non-director related parties					
<i>Wholly-owned group</i>					
Transactions					
All transactions with the wholly-owned group are on normal terms and conditions.					
The aggregate amounts included in the loss from ordinary activities before income tax expense that resulted from transactions with non-director related parties are:					
Distributions received, or due and receivable					
	Wholly-owned controlled entities	-	-	-	74,000
<i>Receivables</i>					
The aggregate amounts receivable from non-director related parties:					
<i>Amounts receivable other than trade debts</i>					
Current					
	Wholly-owned controlled entities	-	-	-	74,000



Notes to the Financial Statements

Notes to the Financial Statements for the year ended 30 June 2003

29 CONTROLLED ENTITIES

Particulars in relation to controlled entities	ORDINARY SHARE CONSOLIDATED ENTITY INTEREST	
	2003	2002
<i>Name</i>	%	%
HarvestRoad Limited		
<i>Controlled entities</i>		
Prism Unit Trust	100	100
Prism Group Pty Ltd	100	100
Omani Pty Ltd – note (i)	-	100
HarvestRoad Share Trust – note (i)	-	100

Notes

(i) Omani Pty Ltd was incorporated on 17 April 2001 as trustee for the HarvestRoad Share Trust. The HarvestRoad Share Trust was established on 26 April 2001 by the Company for the purpose of acquiring and holding ordinary fully paid shares in the Company and providing those shares to directors, executives and employees of the Company through the HarvestRoad Share Trust Plan. The establishment of the HarvestRoad Share Trust Plan complies with the Corporation Act 2001 and the Company's constitution.

In 2001, the Company provided \$200,000 to the HarvestRoad Share Trust for the purpose of acquiring HarvestRoad shares. The HarvestRoad Share Trust acquired 870,000 HarvestRoad shares with an aggregate value of \$191,373. The Company has no beneficial entitlement in relation to these shares. During 2002, 250,000 fully paid ordinary shares with a net book value of \$37,500 were provided by the Trust to Mr P Harley in consideration for services to HarvestRoad. At 30 June 2002, the market value of the remaining shares held by the HarvestRoad Share Trust was \$49,600. During the financial year ending 30 June 2003 these shares were distributed to employees and Directors of HarvestRoad, in relation to their provision of employment and services. They were distributed in the following manner:

Notes to the Financial Statements



Notes to the Financial Statements for the year ended 30 June 2003

Director / Employee	Number of shares
Mr H Giles	118,500
Mr G Bradbury	213,000
Mr P James	118,500
Mr M Ashforth	60,000
Mr A Bartel	50,000
Mr J Street	60,000

The shares had a fair value of \$49,600. The HarvetRoad Share Trust was then vested on 17 September 2002.

Omani Pty Ltd was deregistered on 29 December 2002.

30 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 30th June 2003, HarvestRoad Limited completed the placement of the shortfall under the rights prospectus dated 15th April 2003 together with a further placement, totalling 8,356,250 ordinary shares issued at \$0.08 cash to raise \$667,000.



ASX Additional Information

Annual Report 2003

Additional information required to the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS (as at 17 September 2003)

Substantial Shareholders

The number of shares held by the substantial shareholders and their associated interests are set out below:

	Ordinary
Ainslie Rd Pty Ltd	4,156,495

Voting Rights

Ordinary shares

The voting rights set out in clause 14.1 of The Company's Constitution are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares –

- (a) at meetings of members or classes of members each member entitled to vote may vote in person or by proxy or attorney; and
- (b) on a show of hands every person who is a member has one vote and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held."

Options

Refer to Note 24.

Distribution of equity security holders

	Number of equity security holders
Category	Ordinary
1 – 1,000	178
1,001 – 5,000	730
5,001 – 10,000	417
10,001 – 100,000	603
100,001 and over	116
	<hr/>
	2,044

The number of shareholders holding less than a marketable parcel at 17 September 2003 was 221.

ASX Additional Information



Annual report 2003

Twenty largest shareholders

Name	Number of Ordinary shares held	Percentage of capital held
Ainslie Rd Pty Ltd	4,156,495	6.40
Parmelia Pty Ltd	2,457,366	3.79
Commonwealth Custodial Services Ltd	2,000,000	3.08
Mr Jonathan Edward Moore	1,239,346	1.91
Tribulation Pty Ltd	1,215,420	1.92
Elmside Pty Ltd	1,200,000	1.85
Pever Investments Pty Ltd	1,131,750	1.75
National Nominees Ltd	982,966	1.51
Cyber International Pty Ltd	940,000	1.45
Mr Francis Anthony Basile	800,000	1.23
Mr Michael Lim and Mrs Catherine Lim	750,000	1.15
Mr Douglas Hall	600,000	0.92
Christie James Funds Management Pty Ltd	529,000	0.81
Mr Ronald Robertson	510,612	0.79
Westpac Custodian Nominees Pty Ltd	505,600	0.78
Madam Gim Cheong Ang	500,000	0.77
Estelville Nominees Pty Ltd	500,000	0.77
Mr Janewit Nakasuwan	500,000	0.77
Mr Peter Neville	500,000	0.77
Dr Gary Garside	470,000	0.72
TOTAL	21,488,555	33.14

Statement on Use of Cash and Assets in a Form Readily Convertible to Cash

Since admission to the Australian Stock Exchange on 7 September 1999, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a manner consistent with its business objectives.



Corporate Governance

Corporate Governance Statement for the year ended 30 June 2003

This statement outlines the main Corporate Governance Practices adopted and approved by the Board.

These Policies have been adopted by the Board pursuant to the ASX Corporate Governance Counsel "Principals of good Corporate Governance and best practice recommendations" issued by the ASX on 31 March 2003.

The Practices are in place at the present time and are dealt with under the following headings:

1. Board of Directors and its Committee's;
2. Internal Control Framework; and
3. The role of Shareholders.

1. BOARD OF DIRECTORS AND ITS COMMITTEE'S

A. Role of the Board

The Board's primary role is the protection and enhancement of long term Shareholder value.

To fulfil this role, the Board is responsible for the overall Corporate Governance of the Company including its strategic direction, establishing goals for Management and monitoring the achievement of these goals.

The Board is responsible for:

- Providing entrepreneurial leadership for the Company;
- The appointment and removal of Key Executive staff including;
- Setting Corporate Strategy and Performance Objectives;
- Reviewing and ratifying systems of Risk Management and Internal Compliance and Control, Codes of Conduct, Delegations Manuals and Legal Compliance;

- Monitoring Management's Performance and Implementation of Strategy and ensuring appropriate Human and Financial Resources are available; and
- Approving and monitoring Capital Expenditure, Capital Management and Acquisition and Divestitures.

The terms and conditions of the appointment and retirement of non-Executive Directors are set out in the letter of appointment.

The appointment letter includes the following matters:

- Details of the induction process;
- The manner in which remuneration is determined;
- The term of the appointment (subject to Shareholder approval);
- The expectation of the Board in relation to attendance and preparation for all Board meetings;
- The Committee's to which the Director may be expected to be appointed;
- The procedures for dealing with conflicts of interest;
- The availability of independent professional advice;
- The acceptance of other Directorships; and
- A copy of the Constitution of the Company is also provided.

The Chairman reviews the performance of all Directors each year. Directors whose performance is unsatisfactory are asked to retire.



Non-Executive Directors are expected to attend 90% of all Board meetings and to attend in person a minimum of two (2) Board meetings per year. Non-Executive Directors are expected to devote a minimum of two (2) days per month in respect to attending to Board matters including attendance on various Board Committee's. Non-Executive Directors are not expected to sit on more than three (3) Public Company Boards.

Senior Executive Management are provided with Contracts of Employment incorporating formal job descriptions and performance parameters.

The Board has resolved the appointment and/or removal of a Company Secretary shall be a matter for decision by the Board as a whole.

B. Composition of the Board

The Composition of the Board is determined using the following principals:

- The Board should comprise a minimum of three (3) Directors. This number may be increased where it is felt that additional expertise is required in specific areas, or where an outstanding candidate is identified.
- Where practicable, the Chairman of the Board should be an independent non-Executive Director;
- The Board should comprise a majority of non-Executive Directors, with at least 50% of the Board being independent non-Executive Directors;
- An independent non-Executive Director is a Director who is not a member of Management or a full time employee and who:
 - has not within the last three (3) years been employed an Executive capacity by the Company;
 - is not a significant supplier or customer to the Company or an Officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
 - has no material contractual relationship with the Company or another group member other than as a Director of the Company;
 - is free of any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the Directors ability to act in the best interest of the Company;
 - is not a substantial Shareholder of the Company or an Officer of, or otherwise associated directly with, a substantial Shareholder in the Company;
 - in the last three (3) years has not been a Principal or Employee of a Material Professional Advisor or a Material Consultant to the Company or another group member, or an Employee materially associated with the service provided; and
 - has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Directors ability to act in the best interest of the Company.
- The Board should have enough Directors to serve on various Committee's of the Board without over burdening the Directors or making it difficult for them to fully discharge their responsibilities; and
- The Board should comprise Directors with a broad range of expertise both nationally and internationally.



C. Board Appointments Committee

Background

The Board Appointments Committee ("Committee") is a Committee established by the Board to review the composition of the Board and ensure that the Board has an appropriate mix of expertise and experience and to assess and review the performance of the Directors of the Board.

The Board believes that the individual performance of the Directors of the Company has a significant bearing on the success of the Company and that each Director should be independently accountable in respect to their contribution. The Board is cognisant of the need to ensure that appropriate expertise and skills exist within the Board in order for the Board to address current issues of the Company and focus on the strategic plans of the Company.

Constitution

The Committee has been established by a Board resolution and has the power to obtain information from management. The Committee also has the right to seek independent professional advice, when considered necessary.

Charter

a) Objectives

- Review the individual performance of Directors against key performance indicators and agreed benchmarks;
- Identify potential candidates who could provide services as a new Director of the Company;
- Utilise professional external consultants where necessary to identify potential candidates;

- Establish key performance indicators for Directors;
- Establish and monitor the Company's Director education program;

b) Composition of the Board Appointments Committee

The Committee shall initially consist of the Chairman, a non Executive Director appointed by the Chairman and an external consultant, when required.

The Chairman shall chair the Committee.

The Chief Executive Officer of the Company shall be invited to attend Committee meetings.

Members of the Committee shall be appointed for an initial three (3) year term of office after which their appointment may be subject to annual rotation.

c) Meetings

The Committee shall meet as and when required.

The Chairman will determine when meetings are to be held having regard to the needs of the Company and on the recommendation and advice of an external consultant.

The Chairman will call a meeting of the Committee if so requested by any Committee member, the Board or the Chief Executive Officer.

d) Responsibilities

The Committee shall consider all matters in respect to the appointment of Board members and a review of the performance of Board members including:

- The development of an appointment letter for Board members;



- Identification of the induction process for Board members;
- The term of appointment of Board members, subject to shareholders approval;
- The expectation of the Board in relation to attendance and preparation for all Board meetings;
- The Committees to which the Director may be expected to be appointed;
- The procedures for dealing with conflicts of interest;
- The establishment of a Directors continuous education program; and
- The establishment of key performance indicators and responsibilities for each Director.

e) Reporting

The Chairman of the Committee shall report the findings and recommendation of the Committee to the Board as soon as practicable after a recommendation has been made. The Minutes of all Committee meetings shall be circulated to members of the Board.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year.

D. Audit and Compliance Committee

Background

The Audit and Compliance Committee ("Committee") is a committee established by the Board of the Company to give additional assurance regarding the quality and reliability of financial information used by the Board and financial

information provided by the Company pursuant to its Statutory reporting requirements.

The Board of the Company believe that having raised funds from the public, it has a responsibility to ensure independent accountability exists. The focus of the activities of this Committee is to increase confidence in the credibility and reliability of financial statements and other financial information released to the public.

Constitution

The Committee has been established by a Board resolution and has the power to obtain information from management and to consult directly with the Auditors of the Company.

The Committee also has the right to seek independent professional advice, when considered necessary. The Committee should not, under any circumstances accept the delegation of Executive power in respect to the operations of the Company or undertake activities in a manner which could be construed to impinge on the Executive role of the Company.

Charter

a) Objectives

- Provide enhanced public confidence in the credibility and objectivity of financial information released to the public;
- Demonstration of the Board's intention to exercise due care in reviewing financial information and in fulfilling legal responsibilities;
- Improved quality of financial reporting;



Corporate Governance

Corporate Governance Statement for the year ended 30 June 2003

- Augment non Executive Directors' knowledge and understanding of financial information;
- Increase focus on the corporate risk profile of the Company including the level of authority delegated to management by the Board;
- Provide an insight to the Directors of the Company in respect to the accounting and control systems that exist within the Company and management action to maintain and improve them;
- Assist the Finance Director/Financial Controller by providing a forum in which to raise issues of concern;
- Increase Directors' understanding of the nature and scope of the statutory audit and where applicable, internal audit;
- Provide a framework within which the external Auditors can assert their independence in the event of a dispute with management;
- Strengthen the position of the internal audit function, by providing a greater degree of independence from management; and
- Provide improved communication between the external Auditor and the Board.

b) Composition of the Audit and Compliance Committee

The Committee shall consist of a minimum of two (2) non Executive Directors appointed by the Board, and the Company Secretary.

The Board shall determine the Chairman of the Committee and the Chairman may choose to expand the membership of the Committee by the appointment of external professionals to the Committee or by the appointment of further non

Executive Directors of the Company to the Committee. The Chairman will be a Non-Executive Director. Should the Chairman of the Committee be absent from a meeting, the members of the Committee present shall appoint an acting Chairman for that meeting.

The Chief Executive Officer and other senior management of the Company may be invited to attend Committee meetings. Advisers and other parties external to the Company may also be invited to attend meetings of the Committee as the Chairman considers appropriate.

A quorum of the meeting will consist of two members of the Committee.

Members of the Committee shall be appointed for an initial three (3) year term of office after which their appointment may be subject to annual rotation.

c) Meetings

The Committee is expected to meet six (6) times per year on a bi monthly basis and more often where specifically required to.

The content of the meetings shall be determined have regard to the financial reporting and audit cycle of the Company and having specific reference to ASX listing requirements.

The Company Secretary of the Company shall be appointed Secretary of the Committee. Minutes of the meetings shall be prepared by the Secretary, as required, approved by the Chairman and circulated to all members of the Committee for their approval. The Secretary shall, in conjunction with the Chairman, draw up an agenda which will be circulated at least ten business days prior to each meeting to the members of the Committee.



The Chairman will call a meeting of the Committee if so requested by any Committee member, the Finance Director/Financial Controller or the internal or external Auditors.

Any action required or permitted to be taken at any meeting of the Committee may be taken without a meeting, if a written consent thereto is signed by all the members of the Committee, provided that such written consent shall be filed with the minutes of the proceedings of the Committee.

The Constitution of the Company shall govern the regulation of the meetings and proceedings of the Committee, so far as the Constitution may be applicable.

d) Responsibilities

The Committee shall consider any matters relating to the financial affairs of the Company, compliance with statutory and ASX listing requirements and issues relating to internal and external Audit. In addition, the Committee shall examine any other matters referred to it by the Board.

The duties of the Committee are as follows:

- reviewing financial statements and other financial information distributed externally and determining whether or not to recommend their acceptance by the Board;
- monitoring corporate risk assessment and internal controls instituted and implementing internal controls to manage those risks;
- monitoring the establishment of an appropriate internal control framework, including information systems and considering enhancements;
- reviewing internal and external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- reviewing the nomination and performance of the external Auditors;
- liaising with the external Auditors and ensuring that the annual and half-year statutory audits are conducted in an effective manner;
- monitoring the procedures in place to ensure that the Company is in compliance with the Corporations Law, ASX Listing Rules, its Constitution and other legislative and reporting requirements. This includes implementing a reporting system that meets formulated standards for public announcements made by the Company to ensure that shareholders and financial markets are adequately and properly informed in order to meet the continuous reporting requirements of the Corporations Law and the listing rules of Australian Stock Exchange Limited;
- reviewing reports on any major defalcations, frauds and thefts from the Company;
- reviewing the declaration from the Company Secretary on compliance with statutory responsibilities;
- ensuring that a corporate Code of Ethics is established and periodically reviewed;
- initiating and supervising special investigations;
- reviewing risk management practices, including the Company's use of derivatives;
- reviewing policies to avoid conflicts of interest and reviewing past or proposed transactions between the Company and members of management;



Corporate Governance

Corporate Governance Statement for the year ended 30 June 2003

- reviewing related party transactions and considering the adequacy of disclosure of those transactions in the financial statements;
- reviewing reports on certain aspects of the Company's superannuation plan and compliance with relevant laws and regulations;
- reviewing reports on the adequacy of insurance coverage;
- formulate, review and monitor compliance with and investigate allegations of a breach of appropriate internal controls and reporting standards, mechanisms and procedures to ensure that the Board is informed at all times of all material corporate governance matters effecting the Company; and
- formulate and update, for submission to the Board for its approval, a statement of corporate governance principals and other associated documents dealing with, amongst other matters:
 - a) the structure and responsibilities of the Board;
 - b) the proper relationship between the Board and management including the proper relationship between the roles of Chairman and Managing Director;
 - c) the responsibilities of management;
 - d) the proper relationships between the Company and its shareholders, suppliers and customers and employees;
 - e) business dealings, in particular related party transactions, by Directors, management and employees giving rise to actual or potential conflicts of interest and their appropriate disclosure of such dealings; and
 - f) ethical and other matters considered by the Committee to be relevant to good corporate governance practice.
- to monitor compliance with the statement and to review or investigate allegations of a breach of the statement or of good corporate governance practice and to report to the Board in respect of such compliance, reviews and investigations at least annually, or more frequently if circumstances require;
- to formulate for Board approval and review and to facilitate the implementation of appropriate procedures to enable individual Directors to have access to independent professional advice, as considered necessary, in respect of corporate governance matters;
- to act as a resource for individual Directors and the Company as a whole on questions of corporate governance and corporate ethics, including providing decisions and/or advice on such matters as are referred to the Committee by the Chairman of the Board or the Managing Director.

e) Reporting

The Chairman of the Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting. The minutes of all Committee meetings shall be circulated to members of the Board. The Chairman shall submit an annual report to the Board summarising the Committees activities during the year and the related significant results and findings.



E. Risk Management Committee

The Board has established a sound system of Risk Oversight and Management of Internal Control.

Background

The Risk Management Committee ("Committee") is a Committee established by the Board of the Company to provide risk management assessment of the business activities of the Company.

The Board has resolved that this Committee shall be a sub committee of the Audit & Compliance Committee.

Constitution

The Committee has been established by a Board resolution and ratified as a sub-committee of the Audit & Compliance Committee by the Audit & Compliance Committee.

The Committee has the right to seek independent professional advice when considered necessary.

Charter

a) Objectives

- To establish a Risk Management process which objectively assesses the risks of the Company in their business activities;
- To provide quantitative and qualitative assessment of risks;
- To develop Risk Action Plans and ensure that management responds to these plans and reports to this Committee as to their response;
- To liaise with the external auditors in respect to their assessment of risks encountered by the

Company in its ongoing business activities; and

- To assess the business plans developed by management in consultation with the Audit & Compliance Committee and independently determine risks associated with those business plans.

b) Composition of the Risk Management Committee

The Audit & Compliance Committee shall determine the Chairman of this Committee which will at all times be a non executive Director.

The Committee shall initially consist of the members of the Audit and Compliance Committee.

A quorum of the meeting will consist of three members of the Committee, inclusive of the Chairman.

Members of the Committee shall be appointed for an initial three (3) year term of office, after which their appointments may be subject to annual rotation.

c) Meetings

Having regard to the Risk Action Plans developed by the Risk Management Committee, the Committee shall meet as and when required and generally on the same timelines as the Audit & Compliance Committee.

The Company Secretary shall act as Secretary to the Committee and shall prepare an agenda and keep minutes in respect to meetings.

The external auditors may be requested to attend Committee meetings.



d) Responsibilities

The Committee shall consider any matters relating to risk assessment of the business activities of the Company including and not limited to:

- Investment strategies;
- Operational activities
- Assessment and minimisation of potential internal and external fraud;
- ASX Listing obligations;
- Corporate governance;
- Such other matters the Committee considers to be relevant in assessing the risk of the business.

The duties of the Committee are as follows:

- Monitoring corporate risk and implementing controls to manage those risks;
- Reporting to the Audit & Compliance Committee as to the development of Risk Action Plans and the activities of management in monitoring the risks identified;
- Liaising with external auditors and ensuring the accuracy and timeliness of legislatively required reporting; and
- Continuous review of risk management practices within the Company.

e) Reporting

The Chairman of the Committee shall reports its findings to the Chairman of the Audit & Compliance Committee.

The Chairman of the Committee shall report to the Board at each Board meeting with particular reference to the 5 highest ranked Risks of the

business and the Risk Action Plans targeted to those Risks.

F. Remuneration Committee

The Board determines remuneration packages and policies applicable to the Managing Director, Senior Executives and the Directors themselves. This also includes responsibility for future entitlements under any option plan and share plan, incentive performance packages, superannuation entitlements, retirement and termination entitlement and fringe benefits policies.

To the extent that any Directors have a conflict of interest in respect to remuneration policies they abstain.

Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executives. Where appropriate, the Board seeks independent advice on the appropriateness of remuneration packages.

The Shareholders determine at a General Meeting the total remuneration to be paid to non-Executive Directors. When setting fees and other compensation for non-Executive Directors, the Board takes independent advice and applies Australian and International benchmarks.

Any share plan, incentives or option incentives are predicated on the enhancement of Shareholder value and the achievement of specific corporate milestones.

The Board has determined that:

- Non-Executive Directors should be remunerated by way of fees and should not participate in schemes designed for the remuneration of Executive Directors.



- Non-Executive Directors may receive options and bonus payments subject to the achievement of specific milestones and Shareholder value hurdles determined and agreed by Shareholders at a General Meeting.
- Non-Executive Directors are only entitled to receive retirement benefits as determined by the law.

G. Directors Dealing in Company Shares

All Directors and Senior Executives (as nominated by the CEO) must comply with the law regarding to purchase or sale of securities by a person who has inside knowledge (Corporations Law Section 1002G).

As policy, the Company will comply with the continuance disclosure regime under ASX Listing Rules, subject to the exceptions pursuant to that listing Rule whereby certain information may not be provided in circumstances where for example, transactions are incomplete. Directors and Senior Executives therefore acknowledge that there is the potential for a breach of Corporations Law Section 1002G in circumstances where price sensitive information has not been provided to ASX.

In respect to the Company's investor relations, the Company wishes to give to the public, its shareholders, investors, analysts and the financial press, information which properly reflects the activities of the Company and provides the impression that Directors and Senior Executives are focused on the development of the Company and its business rather than continuously dealing in its listed securities.

In order to minimise any negative perception that may arise from dealing in the Company's securities,

Directors and Senior Executives may purchase or sell Company securities within a four week window after the day on which:

- a) The half yearly report is filed with ASX.
- b) The preliminary final report is filed with ASX.
- c) The day of the Annual General Meeting.

In order for a Director or Senior Executive to purchase or sell securities in the Company:

- a) It must be lawful to do so pursuant to Section 1002G of the Corporations Law;
- b) There must be a relevant window as outlined above;
- c) The individual must give notice to the Chairman in the case of a Director (whether Executive or non Executive), all Directors in the case of the Chairman or to the CEO in the case of a Senior Executive;
- d) The information to be provided shall include the number of shares that the Director or Executive wishes to buy or sell and that notification can be either verbal or in writing. Subject to no negative response within one business day of the notification being provided, the Director or Executive may implement their specific trade/s;
- e) In the event that the Chairman or the CEO provides instruction to a Director or Senior Executive as to perceived dangers or impropriety in trading, that person must heed that warning or instruction;
- f) In the event of a significant dealing in the Company's securities (defined as an amount greater than \$100,000) the Chairman or CEO shall notify the other Directors of the Company;
- g) In the case of serious financial need of either a Director or Senior Executive, the Chairman or



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Corporate Governance Statement for the year ended 30 June 2003

CEO have the discretion to provide special dispensation in respect to the buying or selling of the Company securities subject always to the proposed dealing being lawful;

The thrust of this policy is to ensure that the Company, Directors and Senior Executives will be saved from embarrassment in undertaking transactions in securities of the Company in circumstances where they may be perceived to have inside information (whether or not that is the actual case).

H. Independent Professional Advice and access to Company Information

Each Director has the right of access to all relevant Company information and to the Company's Executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense. A Copy of advice received by the Director is to be made available to all other members of the Board.

I. Promotion of Ethical and Responsible Decision Making

The Company has established within its Human Resources manual a set of standards and a Code of Conduct. The Code of Conduct sets out how each Director, Manager and Employee of the Company is expected to act. The requirement to comply with the Code of Conduct is communicated to and signed by all Employees on an annual basis. All Directors, Managers and Employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. Every Employee has a

nominated Manager to whom they may refer any issues arising from their employment.

The Code of Conduct addresses the following:

- Conflicts of interest - where the interest of a private individual interferes or appears to interfere with the interests of the Company as a whole;
- Corporate opportunities - where Directors and key Executives take advantage of property, information or position, or opportunities arising from these, for personal gain or to compete with the Company;
- Confidentiality - the use of non-public information except where disclosure is authorised or legally mandated;
- Fair dealing - by all Employees with the Company's customers, suppliers, competitors and Employees;
- Protection of and proper use of the Company's assets - protecting and ensuring efficient use of assets for legitimate business purposes;
- Compliance with laws and regulations - active promotion of compliance; and
- Encouraging reporting of unlawful/unethical behaviour - active promotion of ethical behaviour and protection for those who report violations in good faith.

J. Making Timely and Balanced Disclosures

The Company has adopted written Policies and Procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a Senior Management level for that compliance.



The Company has a policy that all Shareholders and investors have equal access to the Company's information and has procedures to ensure that price sensitive information is reported to the ASX in accordance with continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

The Company Secretary is responsible for the drafting of communications to the ASX.

The announcements are provided to the Chairman of the Audit and Compliance Committee and/or the Chairman of the Board prior to release to the ASX.

The announcements are vetted to ensure:

- So they are made in a timely manner;
- Are factual;
- Do not omit material information; and
- Are expressed in a clear and objective manner so as to allow investors to assess the information when making investment decisions.

The Company has adopted a transparent process in respect to the release of information. Once authorised, all releases and information will be monitored and managed by the Company Secretary.

Media comment and external communications are the responsibility of the Chairman.

Meetings with Analysts, Share brokers and the Capital Markets are the responsibility of the Chairman and other Board members as and when specifically required.

K. Performance Management

The Board has introduced Performance Management for both itself and staff of the

Company and this is reflected in the contractual relations between the Employees and the Company and in the letter of appointment provided to Directors.

The Performance Management system identifies Key Performance Indicators for each of the job roles undertaken within the Organisation. The Key Performance Indicators are:

- Specific;
- Measured;
- Agreed between the parties;
- Realistic; and
- Timed.

The Performance Management Reviews are undertaken annually and the Company has introduced a bonus structure to reflect over achievement.

At each Board meeting of the Company, management are requested to provide:

- Management reports that reflect accurately the accounts, work in progress, debtors and creditors, cash flows forecasts and variances against budget.
- Senior Managers are requested to attend Board meetings to present to the Board the activities within their division; and
- Key elements of the business are addressed by key Managers at each Board meeting.

2. 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. To



Corporate Governance

Corporate Governance Statement for year ended 30 June 2003

assist in discharging this responsibility, the Board has adopted policies and procedures that can be described under the following headings:

- Financial reporting - there is a comprehensive budgeting system with an annual budget approved by the Board of Directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared quarterly. The Company reports to Shareholders half-yearly. Quarterly Cash Flow Reports are required to be lodged by the Company under Rule 4.7B of the ASX Listing Rules.
- Continuous disclosure - the Company has a policy that all Shareholders and investors have equal access to the Company's information and has procedures to ensure that price sensitive information is reported to the ASX in accordance with Continuous Disclosure Requirements of the Corporations Act 2001 and ASX Listing Rules.
- Quality and integrity of personnel - the Company's policies are detailed in a Human Resources policy manual. A signed statement is obtained on an annual basis from Employees stating that they have read and understood the Code of Conduct and the various policies and procedures as published on the Company's Intranet and contained in the Company's Human Resources Manual. Formal appraisals are conducted at least annually for all Employees.
- Financial controls - various policies and procedures are in place for financial controls including a Delegations Manual.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due

diligence requirements if any businesses are to be acquired or divested.

- The Chief Executive Officer and the Company Secretary/Chief Financial Officer provides to the Board a statement that the Company's financial reports present fairly, in all material respects, the Company's financial condition and operating results in accordance with relevant accounting standards.
- Further, they formally state to the Board that the statement given about the integrity of the financial statement is founded on a sound system of Risk Management and Internal Compliance and Control, which implements the policies adopted by the Board and that the Company's Risk Management and Internal Compliance and Control system is operating efficiently and effectively in all material respects.
- Finally, they confirm they have disclosed to the Audit and Compliance Committee and the External Auditor any significant deficiencies of material weaknesses in Internal Control and financial reporting and they have disclosed any significant changes that have occurred that effected Internal Controls over the financial reporting period and whether any corrective actions were taken if any significant deficiencies and material weaknesses were identified.

3. THE ROLE OF SHAREHOLDERS

The Board of Directors aims to ensure that the Shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to Shareholders as follows:

Corporate Governance

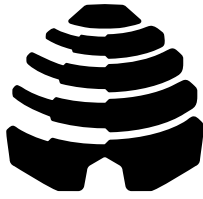


Corporate Governance Statement for year ended 30 June 2003

- The annual report is distributed to all Shareholders (unless a Shareholder has specifically requested not to receive the documents). The Board ensures that the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs of the Company and details of future developments, in addition to the other disclosures required by the Corporations Act 2001;
- The half-yearly report contains summarised financial information and review of the operations of the Company during the period. The annual audited financial report is prepared in accordance with the requirements of applicable Accounting Standards and the Corporations Act 2001 and is lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange Limited. The financial report is sent to any Shareholder who requests it;
- Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of Shareholders;
- Price sensitive information is reported to the ASX in accordance with Continuous Disclosure Requirements;
- Notices of all meetings of Shareholders; and
- Quarterly Cash Flow Reports are lodged by the Company under Rule 4.7B of the ASX Listing Rules.

The Board encourages full participation of Shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the Shareholders as single resolutions.

The Shareholders are requested to vote on the granting of options and shares to Directors and on the re-appointment of Directors. Directors rotate in accordance with the Constitution.



HarvestRoad.

HarvestRoad Limited ABN 36 075 174 855

Notice of Annual General Meeting

incorporating

Explanatory Memorandum

and

Proxy Form

Notice of Annual General Meeting



incorporating Explanatory Memorandum and Proxy Form

Date of meeting: 28 November 2003

Time of meeting: 11.00am

Place of meeting: The Boardroom

RACV

Level 3, 123 Queen Street

MELBOURNE VIC 3000

HARVESTROAD LIMITED

ABN 36 075 174 855

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of shareholders of HarvestRoad Limited ("**Company**") will be held in the Boardroom, RACV, Level 3, 123 Queen Street, Melbourne Vic 3000 at 11.00am (EST) on 28th November 2003.

The Proxy Form accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting.

ORDINARY BUSINESS

Annual Financial Report

To receive the Annual Financial Report of the Company for the year ended 30 June 2003, together with the Directors' Report and Declaration in relation to that financial year and the Auditors' Report on those financial statements.

Resolution 1 – Re-Election of Director

To consider and if thought fit, to pass, with or without amendment the following, as an **ordinary resolution**:

"That Mr Michael Malbourne, who was appointed as a director to fill a casual vacancy and who retires in accordance with Article 16.4 of the Company's Constitution, being eligible for re-election, be re-elected as a director."

SPECIAL BUSINESS

Resolution 2 – Grant of Options to Executive Chairman Mr Grame Barty

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

"That, for the purpose of Australian Stock Exchange Limited Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the allotment and issue of up to 2,500,000 options to the Company's Executive Chairman Grame Barty (or his permitted nominees) on the terms and in the proportions set out on page 2:



Notice of Annual General Meeting

incorporating Explanatory Memorandum and Proxy Form

	Tranche 1	Tranche 2	Tranche 3	Total Options
	Exercise Price	Exercise Price	Exercise Price	
	Average Price	Average Price plus 20%	Average Price plus 40%	
	Exercise Date	Exercise Date	Exercise Date	
	28 November 2006	28 November 2007	28 November 2008	
<hr/>				
Grame Barty				
Executive Chairman	1,000,000	750,000	750,000	2,500,000

Key Terms of Options

- The options will be unlisted;
- Options will have an expiry date being 3 years from the date of vesting;
- Tranche 2 will only vest if during a 12-month period from the date of grant of the options the HarvestRoad share price reaches a price equivalent to the Average Price plus 20% and remains at that price for a period of 10 consecutive days;
- Tranche 3 will only vest if during a 24-month period from the date of grant of the options the HarvestRoad share price reaches a price equivalent to the Average Price plus 40% and remains at that price for a period of 10 consecutive days;
- Average Price means the average weighted price on which HarvestRoad shares close for the last 10 trading days up to and including the last trading day before the 2003 AGM rounded up to the nearest cent;
- The options will only vest if the relevant director is a director at the time of vesting
- Options do not confer any rights or entitlements to participate in new issues of capital offered to shareholders of the HarvestRoad. However, the Company must ensure that the books closing date for the purpose of determining entitlements is at least 10 business days after the issue is announced.
- If the HarvestRoad makes an issue of shares to shareholders on a pro rata basis by way of capitalisation of profits or reserves (other than in lieu of dividends) ("a bonus issue"), then upon exercise of an Option the holder is entitled to have issued (in addition to the shares which would otherwise be issued upon such exercise), the number of shares which would have been issued under the bonus issue if on the date on which entitlements in the bonus issue were calculated the Option holder had been registered as the holder of the number of shares of which the Option holder would have been registered as holder if immediately prior to that date the Option had been exercised and the shares the subject of such exercise had been duly allotted and issued.
- The exercise price of each Option will be adjusted to take into account changes to the capital structure of the HarvestRoad that occur by way of pro rata issues (except bonus issues). The method of adjustment shall be in accordance with the ASX Listing Rules.

Notice of Annual General Meeting



incorporating Explanatory Memorandum and Proxy Form

- In the event of reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the HarvestRoad, the number of Options to which each Option holder is entitled or the exercise price or both will be reconstructed in accordance with the ASX Listing Rules.

provided that, in accordance with Australian Stock Exchange Listing Rule 10.11, the options the subject of this resolution are allotted and issued to Mr Game Barty by no later than one month from the date of this annual general meeting."

The Company will disregard any votes cast on this resolution by Mr Game Barty or any associate of any Mr Game Barty. However, the Company need not disregard a vote if:

- (a) it is cast by a Mr Game Barty as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form; or
- (b) it is cast by the person chairing the meeting, as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Resolution 3 – Grant of Options to Non - Executive Director Mr Hamish Giles

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

"That, for the purpose of Australian Stock Exchange Limited Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the allotment and issue of up to 1,000,000 options to Mr Hamish Giles a Non-Executive Director of the Company (or his permitted nominees) on the terms and in the proportions set out below:

	Tranche 1	Tranche 2	Tranche 3	Total Options
	Exercise Price	Exercise Price	Exercise Price	
	Average Price	Average Price plus 20%	Average Price plus 40%	
	Expiry Date	Exercise Date		
	28 November 2006	28 November 2007		
Hamish Giles				
Non-Executive Director	500,000	250,000	250,000	1,000,000

Key Terms of Options

- The options will be unlisted;
- Options will have an expiry date being 3 years from the date of vesting;
- Tranche 2 will only vest if during a 12-month period from the date of grant of the options the HarvestRoad share price reaches a price equivalent to the Average Price plus 20% and remains at that price for a period of 10 consecutive days;



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- Tranche 3 will only vest if during a 24-month period from the date of grant of the options the HarvestRoad share price reaches a price equivalent to the Average Price plus 40% and remains at that price for a period of 10 consecutive days;
- Average Price means the average weighted price on which HarvestRoad shares close for the last 10 trading days up to and including the last trading day before the 2003 AGM rounded up to the nearest cent;
- The options will only vest if the relevant director is a director at the time of vesting
- Options do not confer any rights or entitlements to participate in new issues of capital offered to shareholders of the HarvestRoad. However, the Company must ensure that the books closing date for the purpose of determining entitlements is at least 10 business days after the issue is announced.
- If the HarvestRoad makes an issue of shares to shareholders on a pro rata basis by way of capitalisation of profits or reserves (other than in lieu of dividends) ("a bonus issue"), then upon exercise of an Option the holder is entitled to have issued (in addition to the shares which would otherwise be issued upon such exercise), the number of shares which would have been issued under the bonus issue if on the date on which entitlements in the bonus issue were calculated the Option holder had been registered as the holder of the number of shares of which the Option holder would have been registered as holder if immediately prior to that date the Option had been exercised and the shares the subject of such exercise had been duly allotted and issued.
- The exercise price of each Option will be adjusted to take into account changes to the capital structure of the HarvestRoad that occur by way of pro rata issues (except bonus issues). The method of adjustment shall be in accordance with the ASX Listing Rules.
- In the event of reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the HarvestRoad, the number of Options to which each Option holder is entitled or the exercise price or both will be reconstructed in accordance with the ASX Listing Rules.

provided that, in accordance with Australian Stock Exchange Listing Rule 10.11, the options the subject of this resolution are allotted and issued to the Mr Hamish Giles by no later than one month from the date of this annual general meeting."

The Company will disregard any votes cast on this resolution by Mr Hamish Giles or any associate of any Mr Hamish Giles. However, the Company need not disregard a vote if:

- (c) it is cast by a Mr Hamish Giles as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form; or
- (d) it is cast by the person chairing the meeting, as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

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incorporating Explanatory Memorandum and Proxy Form

Resolution 4 – Grant of Options to Non - Executive Director Mr Michael Malbourne

To consider and, if thought fit, to pass, with or without amendment, the following as an **ordinary resolution**:

“That, for the purpose of Australian Stock Exchange Limited Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, the Company approves and authorises the allotment and issue of up to 400,000 options to Mr Michael Malbourne a Non-Executive Director of the Company (or his permitted nominees) on the terms and in the proportions set out below:

	Tranche 1	Tranche 2	Tranche 3	Total Options
	Exercise Price	Exercise Price	Exercise Price	
	Average Price	Average Price plus 20%	Average Price plus 40%	
	Expiry Date	Exercise Date		
	28 November 2006	28 November 2007		
Michael Malbourne				
Non-Executive Director	150,000	125,000	125,000	400,000

Key Terms of Options

- The options will be unlisted;
- Options will have an expiry date being 3 years from the date of vesting;
- Tranche 2 will only vest if during a 12-month period from the date of grant of the options the HarvestRoad share price reaches a price equivalent to the Average Price plus 20% and remains at that price for a period of 10 consecutive days;
- Tranche 3 will only vest if during a 24-month period from the date of grant of the options the HarvestRoad share price reaches a price equivalent to the Average Price plus 40% and remains at that price for a period of 10 consecutive days;
- Average Price means the average weighted price on which HarvestRoad shares close for the last 10 trading days up to and including the last trading day before the 2003 AGM rounded up to the nearest cent;
- The options will only vest If the relevant director is a director at the time of vesting
- Options do not confer any rights or entitlements to participate in new issues of capital offered to shareholders of the HarvestRoad. However, the Company must ensure that the books closing date for the purpose of determining entitlements is at least 10 business days after the issue is announced.
- If the HarvestRoad makes an issue of shares to shareholders on a pro rata basis by way of capitalisation of profits or reserves (other than in lieu of dividends) (“a bonus issue”), then upon exercise of an Option the holder is entitled to have issued (in addition to the shares which would otherwise be issued upon such exercise), the number of shares which would have been issued under the bonus issue if on the date on



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which entitlements in the bonus issue were calculated the Option holder had been registered as the holder of the number of shares of which the Option holder would have been registered as holder if immediately prior to that date the Option had been exercised and the shares the subject of such exercise had been duly allotted and issued.

- The exercise price of each Option will be adjusted to take into account changes to the capital structure of the HarvestRoad that occur by way of pro rata issues (except bonus issues). The method of adjustment shall be in accordance with the ASX Listing Rules.
- In the event of reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the HarvestRoad, the number of Options to which each Option holder is entitled or the exercise price or both will be reconstructed in accordance with the ASX Listing Rules.

provided that, in accordance with Australian Stock Exchange Listing Rule 10.11, the options the subject of this resolution are allotted and issued to Mr Michael Malbourne by no later than one month from the date of this annual general meeting.”

The Company will disregard any votes cast on this resolution by Mr Michael Malbourne or any associate of any Mr Michael Malbourne. However, the Company need not disregard a vote if:

- (e) it is cast by a Mr Michael Malbourne as a proxy for a person who is entitled to vote, in accordance with the direction on the proxy form; or
- (f) it is cast by the person chairing the meeting, as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

Resolution 5 – Ratification of Previous Placement

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That, in accordance with Listing Rule 7.4 and for all other purposes, the allotment and issue of 3,000,000 million ordinary fully paid shares at 32.5 cents per share to Acorn Capital Ltd on the terms and conditions referred to in the Explanatory Memorandum be approved and ratified”.

The Company will disregard any votes cast on this resolution by a person who participated in the issue and an associate of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Notice of Annual General Meeting



incorporating Explanatory Memorandum and Proxy Form

Resolution 6 – Approval to Issue Shares

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That, pursuant to Rule 7.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, the Company approves and authorises the Directors to allot and issue up to 1,000,000 ordinary shares in the capital of the Company at an issue price of not less than 32.5 cents each.”

The Company will disregard any votes cast on this resolution by a person who may participate in the issue and any person who might obtain a benefit if the resolution is passed (except a benefit solely in the capacity of a security holder) and an associate of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Other Business

To consider any other business that may lawfully be brought forward.

BY ORDER OF THE BOARD

Mark Ashforth

Company Secretary

Dated: 8 October 2003



Proxies

HARVESTROAD LIMITED ACN 075 174 855

PROXIES

Shareholders are entitled to appoint up to two individuals to act as proxies to attend and vote on their behalf. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be deposited at or sent by facsimile transmission to the registered office of the Company Level 6, 10 William Street Perth WA 6000 or facsimile number (+61 8) 9388 3099), at least 48 hours prior to the meeting or adjourned meeting, as the case may be, at which the individual named in the proxy form proposes to vote.

A proxy must be signed by the shareholder or his/ her attorney duly authorised in writing or, if the shareholder is a corporation, in a manner permitted by the Corporations Act. The proxy may, but need not, be a shareholder of the Company.

VOTING ENTITLEMENT

The Company (as convenor of the meeting) has determined that a person's entitlement to vote at the Annual General Meeting will, in accordance with the Corporations Act 2001, be the entitlement of that person set out in the register of members as at "the end of the day" or "close of business" on Wednesday 26 November 2003. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

Explanatory Memorandum



HARVESTROAD LIMITED ACN 075 174 855

This Explanatory Memorandum has been prepared for the information of shareholders in HarvestRoad Limited ("Company") in connection with the business to be considered at the Annual General Meeting of shareholders to be held in the Boardroom, RACV, Level 3, 123 Queen Street, Melbourne Vic 3000 at 11.00am (EST) on 28th November 2003

The Explanatory Memorandum should be read in conjunction with the accompanying Annual Notice of General Meeting.

Full details of the business to be considered at this Annual General Meeting are set out below.

ANNUAL FINANCIAL REPORT

The first item of the Notice of Annual General Meeting deals with the presentation of the Company's Annual Financial Report for the year ending 30 June 2003. Shareholders should consider this document and raise any matters of interest with the Directors when this item is being considered.

No resolution is required to be moved in respect of this item.

RESOLUTION 1 – ELECTION OF DIRECTOR

Mr Michael Malbourne, who was appointed to fill a casual vacancy, is retiring by rotation in accordance with the Company's Constitution and being eligible, offers himself for re-election.

RESOLUTION 2 to 4 INCLUSIVE - GRANT OF OPTIONS TO DIRECTORS

Resolution 2 to 4 inclusive seek shareholder approval for the Company to grant:

- (a) up to 2,500,000 options to Mr Grame Barty in his role as Executive Chairman of the Company, or his permitted nominees, vesting in the proportions and subject to the pricing and other conditions set out below;
- (b) up to 1,000,000 options to Mr Hamish Giles, in his role as a non-executive director of the Company, or his permitted nominees, vesting in the proportions and subject to the pricing and other conditions set out below; and
- (c) up to 400,000 options Mr Michael Malbourne, in his role as a non-executive Director of the Company, or his permitted nominees, vesting in the proportions and subject to the pricing and other conditions set out on page 12.

Director	Tranche 1 Exercise Price Average Price	Tranche 2 Exercise Price Average Price plus 20%	Tranche 3 Exercise Price Average Price plus 40%	Total Options
Grame Barty Executive Chairman	1,000,000	750,000	750,000	2,500,000
Hamish Giles Non-executive Director	500,000	250,000	250,000	1,000,000
Mike Malbourne Non-executive Director	150,000	125,000	125,000	400,000



Explanatory Memorandum

HARVESTROAD LIMITED ACN 075 174 855

Key Terms of Options

- The options will be unlisted;
- Options will have an expiry date being 3 years from the date of vesting;
- Tranche 2 will only vest if during a 12-month period from the date of grant of the options the HarvestRoad share price reaches a price equivalent to the Average Price plus 20% and remains at that price for a period of 10 consecutive days;
- Tranche 3 will only vest if during a 24-month period from the date of grant of the options the HarvestRoad share price reaches a price equivalent to the Average Price plus 40% and remains at that price for a period of 10 consecutive days;
- Average Price means the average weighted price on which HarvestRoad shares close for the last 10 trading days up to and including the last trading day before the 2003 AGM rounded up to the nearest cent;
- The options will only vest if the relevant director is a director at the time of vesting.
- Options do not confer any rights or entitlements to participate in new issues of capital offered to shareholders of the HarvestRoad. However, the Company must ensure that the books closing date for the purpose of determining entitlements is at least 10 business days after the issue is announced.
- If the HarvestRoad makes an issue of shares to shareholders on a pro rata basis by way of capitalisation of profits or reserves (other than in lieu of dividends) ("a bonus issue"), then upon exercise of an Option the holder is entitled to have issued (in addition to the shares which would otherwise be issued upon such exercise), the number of shares which would have been issued under the bonus issue if on the date on which entitlements in the bonus issue were calculated the Option holder had been registered as the holder of the number of shares of which the Option holder would have been registered as holder if immediately prior to that date the Option had been exercised and the shares the subject of such exercise had been duly allotted and issued.
- The exercise price of each Option will be adjusted to take into account changes to the capital structure of the HarvestRoad that occur by way of pro rata issues (except bonus issues). The method of adjustment shall be in accordance with the ASX Listing Rules.
- In the event of reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the HarvestRoad, the number of Options to which each Option holder is entitled or the exercise price or both will be reconstructed in accordance with the ASX Listing Rules.

Chapter 2E of the Corporations Act 2001

The proposed grant of options to Messrs Barty, Giles and Malbourne, involves the provision of a financial benefit to a related party of the Company for the purposes of Chapter 2E of the Corporations Act 2001.

Chapter 2E of the Corporations Act 2001 prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (1) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or
- (2) prior shareholder approval is obtained to the giving of the financial benefit.

Explanatory Memorandum



HARVESTROAD LIMITED ACN 075 174 855

For the purposes of Chapter 2E, each Director of the Company is considered to be a related party of the Company.

In accordance with the requirements of Chapter 2E, and in particular with section 219 of the Corporations Law, the following information is provided to shareholders to allow them to assess the proposed grant of options to Messrs Barty, Giles and Malbourne (or their nominees):

(1) Messrs Barty, Giles and Malbourne (or their nominees) are each related parties of the Company to whom the proposed resolution would permit the financial benefit to be given;

(2) Messrs Barty, Giles and Malbourne currently hold the following number of shares in the Company:

Barty	4,156,495 ordinary shares
Giles	756,894 ordinary shares
Malbourne	1,200,000 ordinary shares

(3) the nature of the financial benefit to be given to Messrs Barty, Giles and Malbourne is the grant of up to an aggregate of 3,900,000 options to subscribe for fully paid ordinary shares in the Company;

(4) Messrs Barty, Giles and Malbourne are not entitled and do not wish to make a recommendation to shareholders about the proposed resolution that apply to them individually because they have an interest in the outcome of the resolution however, each supports the resolutions as they apply to their respective co-directors;

(5) the interest of Messrs Barty, Giles and Malbourne arises because they (or their nominees) are the proposed recipients of options to subscribe for fully paid ordinary shares in the capital of the Company;

(6) the options are granted for no consideration and the exercise prices of the options and the times at which they vest are set out above;

(7) neither the Directors nor the Company are aware of any other information that would be reasonably required by shareholders to make a decision whether it is in the best interests of the Company to pass the resolution other than as follows:

i Messrs Barty Giles and Malbourne currently hold the following options to purchase ordinary shares in the Company;

Barty	1,200,000 options exercisable at 20 cents per share on or before 30 August 2004.
	277,472 options exercisable at 72 cents on or before 14 February 2006.
Giles	700,000 options exercisable at 20 cents per share on or before 30 August 2004.
Malbourne	Nil.

ii if the grant of the options to Messrs Barty, Giles and Malbourne occurs in accordance with Resolutions 2 to 4 inclusive, the total aggregate number of options that could be granted to Messrs Barty, Giles and Malbourne is 3,900,000. Subject to any adjustments arising from any rights issues or bonus issues of securities by the Company, if the options are exercised, 3,900,000



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ordinary fully paid shares will be allotted and issued with the effect that the shareholding of existing shareholders will be diluted by approximately 6%. (based on the existing number of ordinary shares on issue) or 5% (based on the existing number of ordinary shares on issue and assuming all existing options are exercised).

- iii the primary purpose of the grant of the options is not to raise capital but to provide an incentive to Messrs Barty, Giles and Malbourne. Given this purpose, the Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in granting the options proposed by Resolution 2.

Details Concerning Value of Options

The highest and lowest market sale prices for the Company's shares on ASX during the 12 months immediately preceding 19 September 2003 and the respective dates of those sales were:

Highest: 40 cents per share on 29 August 2003.

Lowest: 5 cents per share on 2 April 2003.

The options to be granted to Messrs Barty, Giles and Malbourne are not to be quoted on ASX and as such have no actual market value. An indicative valuation of the options to be granted to Messrs Barty, Giles and Malbourne is as follows:

	Grame Barty	Hamish Giles	Mike Malbourne
Indicative value of options	\$180,000	\$90,000	\$27,000
Tranche 1			
Indicative value of options	\$142,500	\$47,500	\$23,750
Tranche 2			
Indicative value of options	\$157,500	\$52,500	\$26,250
Tranche 3			

The valuations are based on a valuation methodology using the Black Scholes Option Valuation Model and based on the following data:

Underlying security spot price	36 cents	Closing for the Company's shares on 19 September 2003
Exercise price	Tranche 1, 36 cents Tranche 2, 43 cents Tranche 3, 50 cents	
Exercise Date	Tranche 1, 28/11/2006 Tranche 2, 28/11/2007 Tranche 3, 28/11/2008	

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Risk Free Rate	5.18%	Commonwealth 3 year bonds 19 September 2003
Issue Date	28/11/2003	
Expiry Date	Tranche 1, 28/11/2006 Tranche 2, 28/11/2007 Tranche 3, 28 /11/2008	
Standard deviation of Returns (annualised)	83.14%	Australian Graduate School of Management's Risk Management Service June 2003.

The option valuation has been discounted by 10% to reflect the need for the exercise price to remain at the average price plus for 10 consecutive days in order for the options to be exercised

The valuation is based on the following assumptions:

- The underlying security spot price on the date of issue and the prevailing risk free interest rate will be the same as that used at the time of the valuation
- The annualised standard deviation of returns of HarvestRoad is the same as the average returns of listed companies of similar market capitalisation

It is likely that these assumptions will not be the case.

ASX Listing Rule 10.11

Shareholder approval has also been sought for the purposes of ASX Listing Rule 10.11, which requires shareholder approval, by ordinary resolution prior to granting securities to directors or their associates.

For the purposes of ASX Listing Rule 10.15, the following information is provided to shareholders:

- (1) Messrs Barty, Giles and Malbourne are Directors of the Company;
- (2) The maximum number of options that may be acquired by all parties for whom approval is required is 3,900,000;
- (3) The options will be allotted and issued to the Directors by no later one month from the date of this annual general meeting;
- (4) The options are granted for no consideration. The exercise prices of the options are equal to the weighted average sale price of fully paid ordinary shares in the Company sold through ASX in the 10 trading days immediately prior to the date of this Annual General Meeting ("the Average Price") for the first tranche, the Average Price plus 20% for the second tranche and the Average Price plus 40% for the third tranche;
- (5) To date, the Directors and their associates hold the following options over ordinary shares in the Company:



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HARVESTROAD LIMITED ACN 075 174 855

Grame Barty	1,200,000 options exercisable at 20 cents per share on or before 30 August 2004.
	277,472 options exercisable at 72 cents per share on or before 14 February 2006.

Hamish Giles	700,000 options exercisable at 20 cents per share on or before 30 August 2004.
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Michael Malbourne	Nil
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- (i) The Company will not be loaning any money to any party in respect of an acquisition or exercise of the options.

RESOLUTION 5 – RATIFICATION OF PREVIOUS PLACEMENT

HarvestRoad has recently placed 3 million shares through EL&C Baillieu Stockbroking Ltd at 32.5 cents each to raise \$975,000 million for additional working capital. The shares were placed with Acorn Capital Ltd.

ASX Listing Rule 7.4 provides that an issue of securities that is made without the approval of shareholders under ASX Listing Rule 7.1 will be treated as having been made with approval if the issue did not breach ASX Listing Rule 7.1 and shareholders subsequently approve that issue. The effect of such subsequent approval is to restore a company's maximum discretionary power to issue further shares up to 15% of the nominal value of the company's issued capital at the beginning of the relevant 12 month period without obtaining shareholder approval.

The Company experiences delays and incurs quite significant costs when obtaining shareholder approval each time it wishes to issue securities which exceed the 15% limit and do not otherwise fall within one of the nominated ASX Listing Rule exceptions. It is for this reason that the Company has chosen to take this opportunity to ratify the previous issue and thereby restore its discretionary limit to the 15% maximum.

The Company provides the following information in compliance with ASX Listing Rule 7.5:

- (a) 3 million shares were issued by the Company;
- (b) the shares were issued at a price of 32.5 cents;
- (c) the terms and conditions of the shares issued are the same, in all respects, as the existing issued shares in the capital of the Company;
- (d) the shares were issued to Acorn Capital Ltd;
- (e) the funds raised, which totals \$975,000, will be used for the commercialisation of the HarvestRoad Hive product

RESOLUTION 6 – APPROVAL TO ISSUE SHARES

Resolution 6 seeks shareholders approval to the issue of up to 1,000,000 Shares to Parmelia Pty Ltd, each at an issue price of not less than 32.5 cents each.

Explanatory Memorandum



HARVESTROAD LIMITED ACN 075 174 855

Listing Rule 7.1

Listing Rule 7.1 provides, in summary, that without the prior approval of shareholders of the Company, a listed company must not issue or agree to issue securities in any 12 month period where the securities proposed to be issued represent more than 15% of the company's shares then on issue.

If the shares the subject of Resolution 6 are issued, the 15% threshold will be exceeded. Accordingly, shareholder approval pursuant to Listing Rule 7.1 is sought. In compliance with Listing Rule 7.3, the following information is provided to shareholders:

- (a) the maximum number of Shares to be issued 1,000,000 Shares;
- (b) the Company will issue the Shares on a date no later than 3 months after the date of this meeting;
- (c) the Shares will be allotted at an issue price of not less than 32.5 cents per Share;
- (d) the Shares will be issued to Parmelia Pty Ltd
- (e) the terms and conditions of the Shares to be allotted will be the same, in all respects, as the exiting issued ordinary shares in the capital of the Company on issue at the time of the allotment; and
- (f) proceeds from the placement of the Shares will be used for the commercialisation of the HarvestRoad Hive product.

GLOSSARY OF TERMS

"**Annual General Meeting**" or "**Meeting**" means the Annual General Meeting of shareholders of the Company to be held in the Boardroom, RACV, Level 3, 123 Queen Street, Melbourne Vic 3000 at 11.00am (EST) on 28th November 2003 or any adjournment thereof.

"**ASIC**" means the Australian Securities & Investments Commission.

"**ASX**" means Australian Stock Exchange Limited.

"**ASX Listing Rules**" means the official listing rules of ASX.

"**Corporations Act**" means the Corporations Act 2001.

"**Company**" means HarvestRoad Limited.

"**Director**" means a director of the Company.

"**Directors**" means the board of directors of the Company as constituted from time to time.

"**EST**" means Eastern Standard Time

"**Explanatory Memorandum**" means this explanatory memorandum.

"**Notice of Annual General Meeting**" means the notice of Annual General Meeting, which accompanies the Explanatory Memorandum.

"**Ordinary Share**" means an ordinary share in the Company.



Proxy Form

HARVESTROAD LIMITED ACN 075 174 855

HarvestRoad Limited ACN 075 174 855

The Company Secretary
HarvestRoad Limited
Level 6, 10 William Street
PERTH WA 6000
Facsimile: +61 8 9338 3099

I/We _____

of _____

being a member/(s) of HarvestRoad Limited (the "Company"), _____

hereby appoint _____

of _____

or in his/her absence _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held in the Boardroom, RACV, Level 3, 123 Queen Street, Melbourne Vic 3000 at 11.00am (EST) on 28th November 2003 and at any adjournment of that meeting.

If you wish to indicate how your proxy is to vote, please tick the appropriate places below. If no indication is given on a resolution, the proxy may abstain or vote at his or her discretion.

I/we direct my/our proxy to vote as indicated below:

	For	Against	Abstain
ORDINARY BUSINESS			
1. Re-election of Mr Malbourne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPECIAL BUSINESS			
2. Grant of Options to Mr Grame Barty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Grant of Options to Mr Hamish Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Grant of Options to Mr Michael Malbourne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ratification of Previous Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Approval to Issue Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Proxy Form



HARVESTROAD LIMITED ACN 075 174 855

OR

If you do not wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as a proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM MAY BE HELD INVALID.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

As witness my/our hand/s this _____ day of _____ 2003

If a natural person:

SIGNED by:

Signature

Signature (if joint holder)

If a company:

THE COMMON SEAL of _____)
_____)
_____)
was affixed in the presence of: _____)

Signature of Director

Signature of Director/Secretary



Proxy Form

HARVESTROAD LIMITED ACN 075 174 855

If by power of attorney:

SIGNED for and on behalf of _____)
by _____)
under a Power of Attorney dated _____ and _____)
who declares that he/she has not received any _____)
revocation of such Power of Attorney in the presence of : _____)

Signature of Attorney

Signature of Witness

