

15 March 2004

Company Announcements  
The Australian Stock Exchange Ltd.

Dear Sir

**Re: Appendix 4E and 2003 Annual Report**

Attached are the Appendix 4E and the Annual Report for the year ended 31 December 2003.

Yours faithfully  
**QUIKTRAK NETWORKS LTD.**

**J B MAGUIRE**  
COMPANY SECRETARY

**QuikTrak Networks Ltd**  
**A.B.N. 44 008 718 867**

**Appendix 4E**

**Results for announcement to the market  
for the year ending 31 December 2003**

			<b>\$</b>
Revenue from operating activities	down	13% to	8,652,151
Revenue from ordinary activities	down	26% to	8,700,252
Loss from ordinary activities after tax attributable to members	down	79% to	(4,335,538)
Net loss for the period attributable to members	down	79% to	(4,335,538)
		<b>31 December 2003</b>	<b>31 December 2002</b>
Net tangible asset backing per ordinary share		0.03 cents	0.08 cents

**Dividend**

The Company does not propose to declare a dividend at this time.

**Comments by directors**

The net loss of the Consolidated Entity for the year was \$4,335,538, which was a substantial reduction on the loss of \$20,253,391 for the previous corresponding period. This improvement was achieved despite a 13% reduction in revenue to \$8,652,151 compared to the previous corresponding period.

This improvement was achieved due to a substantial reduction in costs of the Australian operations and the divestment of the UK and Netherlands operations through a distribution of shares in the UK company to all shareholders.

# **QuikTrak Networks Ltd**

**2003**

**ANNUAL**

**REPORT**

# **QUIKTRAK NETWORKS LTD**

A.C.N. 008 718 867

## **DIRECTORS:**

J.A. Landels (Chairman)  
C. Kyriakou (Executive Director)  
B.J. McGeorge

## **SECRETARY:**

J.B. Maguire

## **AUDITORS:**

KPMG  
10 Shelley Street  
Sydney NSW 2000

## **BANKER:**

National Australia Bank Ltd  
101 Pitt Street  
Sydney NSW 2000

## **SHARE REGISTRY:**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
Tel. (08) 9315 0933  
Fax. (08) 9315 2233

## **BUSINESS ADDRESSES:**

### **Sydney**

7-9 George Place  
Artarmon NSW 2064  
Tel. (02) 9428 8900  
Fax. (02) 9428 8911

### **Melbourne**

172 Forster Road  
Mt Waverley VIC 3149  
Tel. (03) 9535 6800  
Fax. (03) 9535 6801

### **Brisbane**

Sunnybank Office Park  
Building 6, 18 Torbey Street  
Sunnybank QLD 4109  
Tel. (07) 3323 1735  
Fax. (07) 3323 3339

## **Adelaide**

Mark Oliphant Building  
Bedford Park SA 5042  
Tel. (08) 8374 5600  
Fax. (08) 8374 2145

## **REGISTERED OFFICE:**

Suite 107  
109 Pitt Street  
Sydney NSW 2000  
Tel. (02) 9233 8011  
Fax. (02) 9233 1349

## **WEBSITE**

[www.quiktrak.com.au](http://www.quiktrak.com.au)

## **STOCK EXCHANGE**

The Company is listed on the Australian Stock Exchange. The home exchange is Perth.

## DIRECTORS' REPORT

The Directors present their report together with the financial report of QuikTrak Networks Ltd ("the Company") and the consolidated financial report of the Consolidated Entity, being the Company and its controlled entities, for the year ended 31 December 2003 and the auditors' report thereon.

### 1. DIRECTORS

The names of the Directors of the Company during the whole of the financial year and up to the date of this report are:

#### **John A. Landels, AC (Chairman)**

Mr. Landels was Chairman and Chief Executive Officer of the Caltex group of companies prior to his retirement from that organisation in 1992. He is currently Chairman of Investika Ltd. Mr Landels was appointed to the Board on 30 May 1997.

#### **Chrisilios Kyriakou, LLB (Executive Director)**

Mr. Kyriakou has extensive business interests including commercial properties, share investments and rural property. He is a director of Investika Ltd. Mr Kyriakou was appointed to the Board on 31 May 1995.

#### **Bernard J. McGeorge**

Mr. McGeorge had a lengthy and distinguished career in the full spectrum of the printing and publishing industry, including 27 years with Australian Consolidated Press Ltd in various management roles where he rose to the position of Executive Director. He subsequently spent ten years with the Hannan Group where he became Group General Manager and he was a director of a number of the operating companies, including Federal Publishing Co Pty Ltd and Newsagents Direct Distribution Pty Ltd. In 1997 he was appointed Managing Director of Zylotech Ltd. Mr McGeorge was appointed to the Board on 20 February 1998.

During the year, Messrs. Philip Joannou, Ronald Cotton and Ricardo Damelian resigned as Directors of the Company, Mr. Joannou on 16 April 2003, Mr. Cotton on 22 April 2003 and Mr. Damelian on 26 May 2003.

### 2. DIRECTORS' MEETINGS

The number of Directors' meetings and the number of meetings in which each Director participated during the financial year are:

Name	Board		Audit Committee	
	No. held whilst a Director	No. Participated in	No. held whilst a Member	No. Participated in
J.A. Landels	13	13	1	1
C. Kyriakou	13	11	-	-
R.J. Cotton	6	6	1	1
P.A. Joannou	5	3	1	1
B.J. McGeorge	13	13	-	-
R.R. Damelian	7	5	-	-

### 3. PRINCIPAL ACTIVITIES OF THE CONSOLIDATED ENTITY

The principal activity of the Consolidated Entity during the year was the on-going commercialisation of the QuikTrak technology, the sale of tracking, radio and mobile data equipment, the provision of network and other services and the sale of licences to the QuikTrak technology.

### 4. TRADING RESULTS

The net amount of the operating loss after income tax of the Consolidated Entity for the 12 months ended 31 December 2003 was \$4,392,734 (2002 Loss: \$20,276,712).

## 5. DIVIDENDS

The Directors recommend that no dividend be paid. No dividends have been declared or paid during the period.

## 6. REVIEW OF OPERATIONS, LIKELY DEVELOPMENTS AND STATE OF AFFAIRS

The revenue from the sale of goods and services of the Consolidated Entity was \$8,652,151 which was a reduction of 13% compared to the previous corresponding period. Of this total, 51% came from the sale of goods and 49% from the provision of services. Services comprises mostly of the provision of tracking and messaging monitoring over the Company's networks and technical support. It is the intention to continue the growth of this recurring revenue.

The net loss of the Consolidated Entity for the year was \$4,392,734 which was achieved due to a substantial reduction in costs of the Australian operations and the divestment of the UK and Netherlands operations through a distribution of shares in the UK company to all shareholders.

Substantial progress was made on the further development of several products. The most significant was the miniaturised transponder, which opens the market to personalised tracking, duress and messaging services as well as reducing the cost of transponder manufacture. It is anticipated that this product will be available for sale during the second quarter of this year.

The agreement in relation to the Brisbane sub-licence was terminated on 23 December 2002 and settled on 6 January 2003. The consequence of this termination was to repay syndicate liabilities of \$10,860,898 by drawdown of a term deposit of the same amount.

Syndicate liabilities of \$3,465,217 were settled by the issue of \$1,200,000 of convertible notes and the transfer of 2,500,000 shares in QuikTrak Networks plc owned by the Company. Subsequent to this, 25,000,000 fully paid ordinary shares were issued to the holders of the convertible notes in consideration for the holders foregoing certain rights that may have resulted in the face value of these notes being increased. These transactions resulted in a net gain of \$2,090,217. The convertible notes were paid out in December 2003.

On 26 February 2003, the Board resolved to put to shareholders a resolution approving a return of capital of one-thousandth of one cent per share to be satisfied by the distribution in-specie of one QuikTrak Networks plc share for every 31 QuikTrak Networks Ltd shares held. This resolution was approved at General Meetings on 2 April 2003. As part of this transaction, intercompany receivables from the QuikTrak Networks plc group were forgiven.

The Company distributed 37,349,565 shares in QuikTrak Networks plc to shareholders in settlement of the return of capital.

The Company issued 7,393,395 fully paid ordinary shares at a price of \$0.01875 each, to a number of employees as part payment of redundancy payments. Transaction costs of \$5,870 associated with this issue were recognised.

The Company issued 25,000,000 fully paid ordinary shares at a price of \$0.007 each, to holders of a \$1,200,000 convertible note in consideration for the holders foregoing certain rights that may have resulted in the face value of the notes being increased. Transaction costs of \$6,067 associated with this issue were recognised.

The Company issued 1,183,033,804 fully paid ordinary shares at a price of \$0.003 each to raise \$3,549,101. Transaction costs of \$274,243 were recognised as a reduction of the proceeds of issue.

The Company issued 3,788 fully paid ordinary shares at a price of \$0.10 each following the exercise of share options by option holders.

Other than the matters described above, in the opinion of the Directors, there were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review that are not otherwise disclosed in this report or the consolidated financial statements.

Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because

disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

## 7. EVENTS SUBSEQUENT TO BALANCE DATE

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 affect significantly the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity, in subsequent financial years.

## 8. OPTIONS

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

<b>Expiry date</b>	<b>Exercise price (cents)</b>	<b>Number of shares</b>
31 December 2004	10	631,713,352
30 June 2005	20	4,500,000
30 June 2006	50	5,000,000
30 June 2007	10	11,500,000

None of the above options 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 ordinary shares as a result of the exercise of options as follows:

<b>No of shares</b>	<b>Amount paid on each share (cents)</b>
3,788	10

At all times during and since the end of financial year, the market value of shares has been less than the exercise price of the options.

For additional information, refer to Note 18 to the financial statements.

## 9. INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Consolidated Entity has entered into an agreement indemnifying the Directors and Officers of the Consolidated Entity against all liabilities to another person (other than the Consolidated Entity or a related body corporate) that may arise from their position as Directors or Officers 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 Consolidated Entity will meet the full amount of any such liabilities, including costs and expenses.

## 10. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Remuneration of senior management personnel is determined by the Board of Directors, taking into account information obtained via reputable industry remuneration surveys and/or independent consultant reports. Executive Directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the Consolidated Entity. Options are also issued under the participants option incentive scheme. The grant of options is not based on the achievement of specific goals related to the performance of the Consolidated Entity.

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 executive officers of the Company and the Consolidated Entity receiving the highest emoluments are:

	Base Emolument \$	Super Contribution \$	Options Granted \$	Total \$
<b><i>Directors</i></b>				
J.A. Landels	83,024	-	-	83,024
C. Kyriakou	231,388	-	-	231,388
R.J. Cotton	8,333	750	-	9,083
P.A. Joannou	8,333	750	-	9,083
B.J. McGeorge	25,000	2,250	-	27,250
R.R. Damelian	10,064	906	-	10,970
<b><i>Officers</i></b>				
<b><i>The Company</i></b>				
V Opperman	201,910	6,031	-	207,941
F Levin	137,483	12,600	-	150,083
G Hurst	131,663	12,240	-	143,903
M Moheb	70,599	5,809	-	76,408
G Moore	67,751	5,850	-	73,601
<b><i>Consolidated</i></b>				
V Opperman	201,910	6,031	-	207,941
M Burgess	159,818	12,425	-	172,243
F Levin	137,483	12,600	-	150,083
J Rayner	133,291	10,912	-	144,203
G Hurst	131,663	12,240	-	143,903

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

## 11. DIRECTORS' INTERESTS AND BENEFITS

The relevant interest of each Director in the share capital of the parent entity, as notified by the Directors to the Australian Stock Exchange Ltd in accordance with the Corporations Act 2001, at the date of this report is as follows:

	Interests in Securities	
	Shares	Options
J.A. Landels	2,666,668	3,344,168
C. Kyriakou	300	2,000,000
B.J. McGeorge	30,000	500,000

Messrs. Landels and Kyriakou are directors of Investika Ltd which owns 264,420,677 shares and 126,566,666 options over shares expiring 31 December 2004, in the Company.

Mr. C. Kyriakou has an interest in Good Hope Finance and Investment Pty Ltd which owns 27,912,537 shares in the Company.



## 12. ENVIRONMENTAL REGULATION

The Consolidated Entity's operations are not subject to any significant environmental regulations under Commonwealth or State legislation. However, the Board believes that the Consolidated Entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Consolidated Entity.

Dated at Sydney this 15 day of March 2004 and signed in accordance with a resolution of the Directors.

J.A Landels  
Director

## **CORPORATE GOVERNANCE STATEMENT**

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the Australian Stock Exchange Corporate Governance Council recommendations, unless otherwise stated.

### **BOARD OF DIRECTORS**

The Board of Directors is responsible for corporate governance of the Consolidated Entity. It oversees the business and affairs of the Consolidated Entity, establishes the strategies and financial objectives to be implemented by management and monitors standards of performance.

The Board has established a framework for the management of the Consolidated Entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The names of the Directors of the Company in office at the date of this Statement, together with details of their experience and qualifications are set out in the Directors' Report of this financial report.

The Board currently consists of three Directors of whom two, including the Chairman, do not carry out an executive role in the Consolidated Entity, thus ensuring independence and objectivity.

After consultation with the Chairman, each Director has the right to seek independent professional advice at the Consolidated Entity's expense.

The Constitution of the Company specifies the number of Directors shall be not less than three nor more than ten. The Board may at any time appoint a director to fill a casual vacancy and, at each annual general meeting, one-third of directors together with any director appointed since the last annual general meeting retire from office and may stand for re-election.

The composition of the Board is reviewed regularly to ensure that the range of expertise and experience of Board members is appropriate for the activities and operations of the Consolidated Entity. Where, through whatever cause, it is considered that the Board would benefit from the services of a new Director with particular skills, the Board would then appoint the most suitable candidate who must stand for re-election at a general meeting of shareholders.

The Constitution specifies that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is divided between those Non-Executive Directors as they agree. The latest determination was at the Annual General Meeting held on 31 May 1995 when shareholders approved an aggregate remuneration of \$175,000 per year.

### **DIRECTOR DEALINGS IN COMPANY SHARES**

Directors and senior management may acquire shares in the Company, but are prohibited from dealing in Company shares or exercising options whilst in the possession of price sensitive information.

### **CONFLICT OF INTEREST**

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Details of director related entity transactions with the Company and Consolidated Entity are set out in note 27.

## INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework but recognizes that no cost effective internal control system will preclude all errors and irregularities. The system is based upon policies and guidelines and the careful selection and training of qualified personnel.

## AUDIT COMMITTEE

The Company held one audit committee meeting in 2003. Following this meeting, the Board determined that the Company is not of sufficient size to warrant such a committee. The full Board performs the functions of such a committee.

## EXTERNAL AUDITORS

The Board monitors the performance of the external auditors and requires annual confirmation of auditor independence. The current external auditors were appointed in 1990. The lead engagement partner was last rotated in 2003.

## REMUNERATION ARRANGEMENTS

Remuneration of senior management personnel is determined by the full Board of Directors, taking into account information obtained via reputable industry remuneration surveys and/ or independent consultant reports. This also includes responsibility for share option schemes, incentive performance packages, retirement and termination entitlements, fringe benefits policies and professional indemnity and liability insurance policies.

## ETHICAL STANDARDS AND PERFORMANCE

The Consolidated Entity is not of sufficient size to warrant the preparation of a formal code of ethical business standards for the Consolidated Entity. The Board does, however, require of itself and its employees the highest ethical standards when carrying out their duties and when acting on behalf of the Consolidated Entity. In particular, the Board formally approves any transactions with Directors of the Consolidated Entity. The Director concerned does not participate in discussion or approval of the transaction.

## REPORTING TO SHAREHOLDERS

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

The annual report is distributed to all shareholders. The Board ensures that the annual report includes relevant information about the operations of the Consolidated Entity during the year, changes in the state of affairs of the Consolidated Entity 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 a review of the operations of the Consolidated Entity during the period. Half year financial statements prepared in accordance with the requirements of Accounting Standards and the Corporations Act 2001 are lodged with the Australian Securities and Investments Commission and the Australian Stock Exchange Ltd. The half year financial statements are sent to any shareholder who requests them; and
- Proposed major changes in the Consolidated Entity which may impact on share ownership rights are submitted to a vote of shareholders.

The Board encourages full participation of shareholders at the Annual General Meeting.

**STATEMENTS OF FINANCIAL  
PERFORMANCE**

**QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003**

		Consolidated		The Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
Revenue from sale of goods		4,442,383	7,279,005	1,432,439	3,068,590
Revenue from rendering of services		4,209,768	2,692,713	2,277,946	2,169,612
Other revenue from ordinary activities		48,101	1,821,932	301,765	2,306,677
Total revenue	3	8,700,252	11,793,650	4,012,150	7,544,879
Finished goods and consumables purchased net of changes in inventories		(3,176,256)	(4,338,214)	(1,214,892)	(2,086,337)
Employee expenses		(5,725,364)	(8,961,581)	(2,674,505)	(4,619,290)
Network expenses		(772,488)	(2,478,066)	(554,105)	(319,708)
Depreciation and amortisation expenses	4(b)	(1,114,095)	(1,535,699)	(1,046,554)	(1,152,186)
Syndicate royalties and fees		-	(2,385,695)	-	(681,508)
Borrowing costs	4(b)	(95,493)	(2,012,193)	(86,836)	(1,852,898)
Travel and accommodation		(184,518)	(782,609)	(66,553)	(175,502)
Rent and outgoings		(388,611)	(620,145)	(172,749)	(216,217)
Provision for support of controlled entities		-	-	(170,696)	(683,000)
Provision for investments in controlled entities		-	-	-	(1,310,676)
Provisions for receivables in controlled entities		-	-	(3,486,586)	(14,305,550)
Gain on settlement of syndicate liabilities		2,090,217	-	2,090,217	-
UK development expenses		(952,139)	(3,674,481)	-	-
UK capital raising costs		-	(2,410,889)	-	(311,846)
Net gain/(loss) on deconsolidation of UK & Netherlands subsidiaries		(2,259,304)	-	11,506	-
Other expenses from ordinary activities		(514,935)	(2,870,790)	(725,139)	(71,013)
Loss from ordinary activities before related income tax expense	4	(4,392,734)	(20,276,712)	(4,084,742)	(20,240,852)
Income tax (expense)/benefit relating to ordinary activities	5	-	-	-	-
Loss from ordinary activities after related income tax expense		(4,392,734)	(20,276,712)	(4,084,742)	(20,240,852)
Net profit/ (loss) attributable to outside equity interest		(57,196)	(23,321)	-	-
Net loss attributable to members of the parent entity		(4,335,538)	(20,253,391)	(4,084,742)	(20,240,852)
Total changes in equity from non-owner related transactions attributable to the members of the parent entity		(4,335,538)	(20,253,391)	(4,084,742)	(20,240,852)
Basic earnings/(loss) per share	28	(0.034)	(0.24)		
Diluted earnings/(loss) per share	28	(0.034)	(0.24)		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 12 to 40.

# STATEMENTS OF FINANCIAL POSITION

QUIKTRAK NETWORKS LTD  
AS AT 31 DECEMBER 2003

	Note	Consolidated 2003 \$	2002 \$	The Company 2003 \$	2002 \$
Current Assets					
Cash assets	30(a)	765,989	2,977,770	732,078	450,595
Receivables	6	962,751	1,242,515	574,745	462,587
Inventories	7	824,973	1,505,652	311,495	853,828
Other	9	198,660	11,161,281	180,675	10,954,095
Total Current Assets		2,752,373	16,887,218	1,798,993	12,721,105
Non-Current Assets					
Receivables	6	-	-	-	-
Other financial assets	8	5,150	-	-	-
Plant and equipment	10	2,428,905	4,595,358	2,370,599	3,123,166
Intangibles	11	1,513,160	1,783,160	1,513,160	1,783,160
Deferred expenditure	12	-	43,675	-	-
Total Non-Current Assets		3,947,215	6,422,193	3,883,759	4,906,326
Total Assets		6,699,588	23,309,411	5,682,752	17,627,431
Current Liabilities					
Payables	13	2,246,285	4,003,709	896,028	1,725,975
Interest bearing liabilities	14	-	3,503,451	-	38,234
Provisions	16	463,519	497,419	1,066,484	954,602
Other	17	1,182,870	12,082,376	1,111,753	11,855,842
Total Current Liabilities		3,892,674	20,086,955	3,074,265	14,574,653
Non-Current Liabilities					
Provisions	16	300,328	274,418	101,901	104,740
Other	17	214,270	147,906	214,270	147,906
Total Non-Current Liabilities		514,598	422,324	316,171	252,646
Total Liabilities		4,407,272	20,509,279	3,390,436	14,827,299
NET ASSETS		2,292,316	2,800,132	2,292,316	2,800,132
Equity					
Contributed equity	18	26,606,404	23,040,984	26,617,910	23,040,984
Reserves	19	84,000	84,000	-	-
Accumulated losses	20	(24,398,088)	(20,062,550)	(24,325,594)	(20,240,852)
Equity attributable to members of parent entity		2,292,316	3,062,434	2,292,316	2,800,132
Outside equity interests in controlled entities		-	(262,302)	-	-
Total equity	21	2,292,316	2,800,132	2,292,316	2,800,132

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 12 to 40.

# STATEMENTS OF CASH FLOWS

QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Consolidated 2003 \$	2002 \$	The Company 2003 \$	2002 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts in the course of operations		9,019,902	11,626,445	3,975,732	5,920,737
Cash payments in the course of operations					
- Trading		(11,645,682)	(14,689,881)	(5,655,981)	(7,902,277)
- Net payments in relation to UK network rollout and proposed capital raising		-	(6,880,000)	-	-
Interest received		48,101	1,822,861	47,487	1,822,861
Interest paid		(95,493)	(2,012,193)	(86,836)	(1,882,244)
Net cash used in operating activities	30(b)	(2,673,172)	(10,132,768)	(1,719,598)	(2,040,923)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Loans to controlled entities		-	-	-	(10,117,266)
Purchase of plant & equipment		(48,317)	(1,700,000)	(23,986)	(240,885)
Proceeds from sale of plant & equipment		-	62,000	-	62,000
Disposal of cash on deconsolidation of the UK group	24	(1,539,047)	-	-	-
Purchase of investments		-	-	-	(1,175,000)
Net cash used in investing activities		(1,587,364)	(1,638,000)	(23,986)	(11,471,151)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of shares		2,074,039	13,087,638	2,074,039	13,087,638
Proceeds from borrowings		1,050,000	-	1,050,000	-
Borrowings repaid		(1,075,284)	-	(1,098,972)	-
Lease payments		-	(16,462)	-	(16,462)
Proceeds from UK subsidiary equity raising		-	746,000	-	-
Net cash provided by financing activities		2,048,755	13,817,176	2,025,067	13,071,176
Net increase (decrease) in cash		(2,211,781)	2,046,408	281,483	(440,898)
Cash at the beginning of the financial year		2,977,770	931,362	450,595	891,493
Cash at the end of the financial year	30(a)	765,989	2,977,770	732,078	450,595

The statements of cashflows are to be read in conjunction with the notes to the financial statements set out on pages 12 to 40.

## **1. STATEMENT OF ACCOUNTING POLICIES**

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

### **a. Basis of Preparation**

The consolidated 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.

The financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets. The accounting policies have been consistently applied by QuikTrak Networks Ltd and its controlled entities ("the Consolidated Entity") and, except where there is a change in accounting policy, are consistent with those of the previous year.

#### *Going Concern*

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Consolidated Entity incurred a net loss of \$4,335,538 for the year ended 31 December 2003 (31 December 2002: Loss of \$20,253,391). Current liabilities (\$3,892,674) exceed current assets (\$2,752,373) by \$1,140,301.

The Directors believe that it is appropriate to prepare the financial report on a going concern basis based on the Consolidated Entity's business plan.

The main assumptions underlying the business plan are that the Consolidated Entity will be able to:

- Contain operating and development expenditure to current levels;
- Rely on continued financial support from its major shareholder; and
- Achieve sales growth, underpinned by the introduction of new products and growth in existing products.

In the event that the Consolidated Entity does not meet its planned cash flow targets, as set out in its business plan, or is unable to raise additional funds, there is a significant uncertainty whether the Consolidated Entity will be able to continue as a going concern and therefore, whether it can realise its assets and extinguish its liabilities at the amounts stated in the statement of financial position.

### **b. Principles of Consolidation**

The financial statements of controlled entities are included from the date control commences until the date control ceases. When control ceases, a gain or loss is recognised as the difference between net sales proceeds, if any and the consolidated carrying amount (including post acquisition share of profits, goodwill and equity). Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

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

### **c. Deferred expenditure**

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred and amortised on a straight line basis over the period in which the related benefits are expected to be realised.

**NOTES TO AND FORMING PART  
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**QUIKTRAK NETWORKS LTD  
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d. Borrowing costs

Borrowing costs are expensed as incurred.

e. 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.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

f. Acquisitions of assets

All assets acquired including plant and equipment and intangibles other than goodwill 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.

g. Leased assets

Leases of plant and equipment under which the Consolidated Entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating 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.

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.

h. Depreciation and amortisation

All assets, including intangibles, having limited useful lives, are depreciated or amortised using the straight line method over their estimated useful lives, with the exception of finance lease assets which are amortised over the term of the relevant lease, or where it is likely the Consolidated Entity will obtain ownership of the asset, the life of the asset. Assets are depreciated or amortised from the date of acquisition, or in the case of internally constructed assets, from the time an asset is completed and held ready for use. Depreciation and amortisation rates and methods are reviewed annually for appropriateness.

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

	2003	2002
<i>Plant and equipment</i>		
Plant and equipment	10% - 33%	10% - 33%
Leasehold improvements	20%	20%
<i>Intangibles</i>		
Licences and intellectual property	10 years	10 years
<i>Other non-current assets</i>		
Research and development costs	5 years	5 years



**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

i. Taxation

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

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

j. Investments

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

k. Inventories

Inventories are carried at the lower of cost or net realisable value. Cost is determined on a first-in, first-out basis and includes expenditure incurred in acquiring inventory and bringing it to its current location and condition.

Net realisable value is determined on the basis of the Consolidated Entity's normal selling pattern after consideration of selling and other distribution expenses.

l. Receivables

Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

m. Employee Benefits

*Wages, Salaries, Annual Leave and Sick Leave*

Liabilities for employee benefits for wages and salaries (including non-monetary benefits), annual leave and sick leave to be settled within 12 months of the reporting date representing present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on remuneration rates that the company expects to pay including related on-costs.

*Long Service Leave*

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

The provision is calculated using expected 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. The unwinding of the discount is treated as long service leave expense.

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

m. Employee Benefits (continued)

*Executive share option plans*

In 2000, the Company granted options to certain employees and directors under a participants option incentive scheme. Further information is set out in Note 29 to the financial statements. Other than the costs of administering the scheme, which are expensed as incurred, the scheme does not result in any expense to the Consolidated Entity.

*Superannuation plan*

The Consolidated Entity contributes to several defined contribution superannuation plans. Contributions are charged against income as they are made. Further information is set out in Note 29.

n. Revenue Recognition

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

*Sale of goods*

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

*Rendering of services*

Monitoring fees charged are deferred on receipt and recognised as revenue evenly over the monitoring period.

*Interest Income*

Interest income is recognised as it accrues.

*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 of assets 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 relating to research and development costs that have been expensed, the grant is recognised as revenue. Where a grant is received relating to research and development costs that have been deferred, the grant is deducted from the carrying amount of the deferred research and development costs.

o. Foreign Currency Transactions and Balances

*Transactions*

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

*Translation of controlled foreign entities*

The assets and liabilities of foreign operations that are self-sustaining are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

The assets and liabilities of foreign operations that are integrated are translated using the temporal method. Monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non-monetary items and revenue and expense items are translated at exchange rates current when the transactions occurred. Exchange differences arising on translation are brought to account in the statement of financial performance.

**1. STATEMENT OF ACCOUNTING POLICIES (continued)**

**p. Intellectual Property**

The cost of intellectual property is amortised over the period in which the related benefits are expected to be realised. The QuikTrak intellectual property is amortised on a straight line basis over ten years.

The carrying value of intangibles are reviewed at the end of each accounting period. Where the balance exceeds the value of expected future benefits, the difference is charged to the statement of financial performance.

**q. Provisions**

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

*Warranties*

Provision is made for the Consolidated Entity's estimated liability on all products still under warranty and includes claims already received. The estimate is based on the Consolidated Entity's warranty claims experience.

**r. Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 90 days.

**s. 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 expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the 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.

**t. Earnings per share**

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

**2. CHANGE IN ACCOUNTING POLICY**

**(a) Employee benefits**

The Consolidated Entity has applied the revised AASB 1028 "Employee Benefits" for the first time from 1 January 2003. The liability for wages and salaries, annual leave, sick leave and other employee benefits is now calculated using the remuneration rates the Consolidated Entity expects to pay as at each reporting date, not wage and salary rates current at reporting date. The new standard did not have a material impact on the opening accumulated losses as at 1 January 2003 or the operating result for the year ended 31 December 2003.

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	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>3. REVENUE FROM ORDINARY ACTIVITIES</b>				
<i>From operating activities</i>				
Sale of goods revenue	4,442,383	7,279,005	1,432,439	3,068,590
Rendering of services revenue	4,209,768	2,692,713	2,277,946	2,169,612
Other revenues:				
<i>From operating activities</i>				
Interest received from other parties	48,101	1,821,932	47,487	1,822,881
Management and access fees from related parties	-	-	254,278	483,796
Total other revenue	48,101	1,821,932	301,765	2,306,677
Total revenue from ordinary activities	8,700,252	11,793,650	4,012,150	7,544,879
<b>4. LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>				
<b>(a)</b> Individually significant items charged/(credited) in arriving at loss from ordinary activities before income tax expense:				
Expenditure incurred for capital raising by UK subsidiary previously capitalised	-	2,410,889	-	311,846
UK development costs written off	952,139	3,674,481	-	-
Gain on settlement of syndicate liabilities	(2,090,217)	-	(2,090,217)	-
Net loss on deconsolidation of UK & Netherlands subsidiaries	2,259,304	-	-	-
Provision for non-recovery of loans to controlled entities	-	-	3,486,586	14,305,550
Provision for investment in controlled entities	-	-	-	1,310,676
Provision for support of controlled entities	-	-	170,696	683,000
Total	1,121,226	6,085,370	1,567,065	16,611,072
<b>(b)</b> Loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:				
Cost of goods sold	3,176,256	4,338,214	1,214,892	2,086,337
Write-down in value of inventories	21,831	127,571	(20,046)	-
Net foreign exchange loss	(25,130)	393,439	-	-
Operating lease rental expense	845,358	1,061,977	514,763	465,880

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	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>4. LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE (continued)</b>				
Depreciation of:				
Plant & equipment	777,882	975,602	754,016	872,085
Amortisation of:				
Leasehold improvements	22,538	10,101	22,538	10,101
Research and development costs	43,675	279,996	-	-
Intellectual property	270,000	270,000	270,000	270,000
	336,213	560,097	292,538	280,101
Total depreciation and amortisation	1,114,095	1,535,699	1,046,554	1,152,186
Net bad and doubtful debts expense including movements in provision for doubtful debts	(118,139)	70,756	(95,683)	66,085
Net expense from movements in provision for:				
Employee entitlements	(9,623)	32,136	(68,286)	19,743
Warranties	1,633	(32,401)	6,633	(37,401)
Borrowing costs:				
Related parties	47,196	9,079	47,196	9,079
Bank overdraft	-	5,812	-	5,812
Other loan interest	48,297	1,997,302	39,640	1,838,007
	95,493	2,012,193	86,836	1,852,898
Capitalised research and development expenditure written off	-	3,733,713	-	-
Net (gain)/loss on disposal of non- current assets	-	101,348	-	101,348
<b>(c) Auditors' remuneration</b>	\$	\$	\$	\$
Audit services:				
Auditors of the Company	101,200	81,510	101,200	81,510
Other auditors	-	22,082	-	-
	101,200	103,592	101,200	81,510
Other services:				
Auditors of the Company	5,500	4,410	5,500	4,410
Other auditors	-	13,194	-	-
	5,500	17,604	5,500	4,410

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OF THE FINANCIAL STATEMENTS**

**QUIKTRAK NETWORKS LTD  
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	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>5. TAXATION</b>				
<b>(a) Income tax expense</b>				
Prima facie income tax benefit calculated at 30% (2002: 30%) on the loss from ordinary activities	(1,317,820)	(6,082,800)	(1,225,423)	(6,072,300)
Increase in income tax expense due to:				
Capital items expensed	-	1,380	-	-
Amortisation of intangibles	81,000	81,387	81,000	81,387
Non-deductible related party provisions	-	-	-	4,890,000
Other non-deductible items	3,666	743,882	472,877	99,725
Tax losses and timing differences not carried forward as a future income tax benefit	1,233,154	5,257,118	671,546	1,001,189
Income tax expense/(benefit)	-	-	-	-
<b>(b) Future income tax benefit not taken into account</b>				
The potential future income tax benefit based on unlogged tax returns, arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt.				
Tax losses carried forward	7,460,890	9,598,518	2,882,942	2,133,389
Timing differences	1,176,024	686,800	547,762	345,700
	8,636,914	10,285,318	3,430,704	2,479,089

The potential future income tax benefit will only be obtained if:

- 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;
- the relevant company and/or the Consolidated Entity continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the relevant company and/or the Consolidated Entity in realising the benefit.

**(c) FRANKING CREDITS**

The Company has no franking credits available.

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	Note	Consolidated		The Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
<b>6. RECEIVABLES</b>					
<b>Current</b>					
Trade debtors		1,317,197	1,606,867	675,023	694,176
Less: provision for doubtful debts		(354,446)	(500,552)	(100,278)	(231,589)
		962,751	1,106,315	574,745	462,587
Other debtors		-	136,200	-	-
		962,751	1,242,515	574,745	462,587
<b>Non-current</b>					
Loans to controlled entities		-	-	18,645,822	30,432,550
Less : Provision for non-recovery		-	-	(18,645,822)	(30,432,550)
		-	-	-	-
Receivables are non-interest bearing.					
<b>7. INVENTORIES</b>					
Finished goods – at cost		1,157,572	1,791,009	403,786	927,098
Less: provision for obsolescence		(332,599)	(285,357)	(92,291)	(73,270)
		824,973	1,505,652	311,495	853,828
<b>8. OTHER FINANCIAL ASSETS</b>					
<b>Non-current</b>					
Shares in listed entity – at cost		5,150	-	5,150	-
Shares in controlled entities not quoted on a prescribed Stock Exchange:					
At cost		-	-	-	1,978,990
Less: provision for diminution		-	-	-	(1,978,990)
		5,150	-	5,150	-
<b>9. OTHER ASSETS</b>					
<b>Current</b>					
Advances and Security deposits		18,805	11,024,418	14,395	10,875,293
Prepayments		179,855	136,863	166,280	78,802
		198,660	11,161,281	180,675	10,954,095

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	Consolidated 2003 \$	2002 \$	The Company 2003 \$	2002 \$
<b>10. PLANT &amp; EQUIPMENT</b>				
Plant & equipment:				
At cost	7,171,519	7,798,890	6,708,543	6,691,837
Less: accumulated depreciation	(4,818,035)	(4,051,209)	(4,413,365)	(3,659,349)
	2,353,484	3,747,681	2,295,178	3,032,488
Leasehold improvements:				
At cost	108,061	100,781	108,061	100,781
Less: accumulated depreciation	(32,640)	(10,102)	(32,640)	(10,102)
	75,421	90,679	75,421	90,679
Construction in progress at cost	-	756,998	-	-
Total written down value of plant & equipment	2,428,905	4,595,358	2,370,599	3,123,167

***Reconciliations***

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

***Plant and equipment***

	Consolidated \$	Company \$
Carrying amount at the beginning of the year	3,747,681	3,032,488
Additions	37,235	16,708
Transfer from construction in progress	756,998	
Disposal of controlled entities	(1,410,548)	-
Depreciation	(777,882)	(754,108)
Carrying amount at the end of year	2,353,484	2,295,178

***Leasehold improvements***

Carrying amount at the beginning of the year	90,679	90,679
Additions	7,280	7,280
Disposals	-	-
Amortisation	(22,538)	(22,538)
Carrying amount at the end of year	75,421	75,421

***Construction in Progress***

Carrying amount at beginning of year	756,998	-
Transfer to plant and equipment	(756,998)	-
Carrying amount at the end of year	-	-



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	Consolidated 2003 \$	2002 \$	The Company 2003 \$	2002 \$
<b>11. INTANGIBLES</b>				
QuikTrak technology licence				
At cost	2,913,000	2,913,000	2,913,000	2,913,000
Less: accumulated amortisation	(2,913,000)	(2,913,000)	(2,913,000)	(2,913,000)
	-	-	-	-
QuikTrak intellectual property				
At cost	2,713,160	2,713,160	2,713,160	2,713,160
Less: accumulated amortisation	(1,200,000)	(930,000)	(1,200,000)	(930,000)
	1,513,160	1,783,160	1,513,160	1,783,160
Total written down value of intangibles	1,513,160	1,783,160	1,513,160	1,783,160
<b>12. DEFERRED EXPENDITURE</b>				
Research and development costs:				
Expenditure brought forward	43,675	5,190,000	-	-
Deferred in current period	-	-	-	-
	43,675	5,190,000	-	-
Less : accumulated amortisation	(43,675)	(1,413,000)	-	-
: amounts written off	-	(3,733,325)	-	-
Total written down value of deferred expenditure	-	43,675	-	-
<b>13. PAYABLES</b>				
<b>Current</b>				
Trade creditors and accruals	2,246,285	4,003,709	896,028	1,725,975

**NOTES TO AND FORMING PART  
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QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	Consolidated 2003 \$	2002 \$	The Company 2003 \$	2002 \$
<b>14. INTEREST BEARING LIABILITIES</b>					
<b>Current</b>					
Loans from other parties		-	3,503,451	-	38,234
		-	3,503,451	-	38,234

**15. FINANCING**

**ARRANGEMENTS**

The Consolidated Entity has  
access to the following lines of  
credit:

Total facilities available:

Letter of credit	-	711,100	-	711,100
Bank guarantee	121,110	121,110	116,250	116,250
	121,110	832,210	116,250	827,350

Facilities used at balance date:

Letter of credit	-	711,100	-	711,100
Bank guarantee	116,250	116,250	116,250	116,250
	116,250	827,350	116,250	827,350

Facilities not utilised at  
balance date:

Letter of credit	-	-	-	-
Bank guarantee	4,860	4,860	-	-
	4,860	4,860	-	-

**Bank Guarantee**

The Company has a bank guarantee facility, which is secured by term deposits of approximately equal amounts. The bank guarantee is current until May 2004 at which time it is subject to review.

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	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>16. PROVISIONS</b>				
<b>Current</b>				
Employee benefits	362,287	397,820	111,556	177,003
Warranties	101,232	99,599	101,232	94,599
Support for related parties	-	-	853,696	683,000
	463,519	497,419	1,066,484	954,602
<b>Non-Current</b>				
Employee benefits	300,328	274,418	101,901	104,740
<b>Reconciliations</b>				
Reconciliations of the carrying amounts of each class of provision, except for employee benefits, are set out below:				
<b>Warranties</b>				
Carrying amount at beginning of year	99,599		94,599	
Payments made during the year	(112,493)		(112,493)	
Provisions made during the year	114,126		119,126	
Carrying amount at end of year	101,232		101,232	
<b>Support for related party</b>				
Carrying amount at beginning of year	-		683,000	
Provisions made during the year	-		170,696	
Carrying amount at end of year	-		853,696	
	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>17. OTHER LIABILITIES</b>				
<b>Current</b>				
Deferred revenue	1,182,870	1,221,478	1,111,753	994,944
Provision for security deposit	-	10,860,898	-	10,860,898
	1,182,870	12,082,376	1,111,753	11,855,842
<b>Non-Current</b>				
Deferred revenue	214,270	147,906	214,270	147,906

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

**QUIKTRAK NETWORKS LTD  
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18. CONTRIBUTED EQUITY	THE COMPANY			
	2003 Number of Shares	2002 Number of shares	2003 \$	2002 \$
<b>Ordinary Shares, fully paid</b>				
Opening balance	1,150,636,621	598,627,446	23,040,984	57,285,345
Issued during the year (a)	1,215,430,987	552,009,175	3,576,926	13,678,054
Capital transfer (c)	-	-	-	(47,922,415)
Capital reduction (b)			(11,506)	-
Closing balance	2,366,067,608	1,150,636,621	26,606,404	23,040,984

**(a) Details of issues:**

In April 2003, the Company issued 7,393,395 fully paid ordinary shares at a price of \$0.01875 each to a number of employees as part payment of redundancy payments. Transaction costs of \$5,870 were recognised as a reduction of the proceeds of issue.

In September 2003, the Company issued 25,000,000 fully paid ordinary shares at a price of \$0.007 each to the holders of a \$1,200,000 convertible note in consideration for the holders foregoing certain rights that may have resulted in the face value of that note being increased. Transaction costs of \$6,067 were recognised as a reduction of the proceeds of issue.

In November 2003, the Company issued 1,183,033,804 fully paid ordinary shares at a price of \$0.003 each to raise \$3,549,101. Transaction costs of \$274,243 were recognised as a reduction of the proceeds of issue.

The Company issued 3,788 fully paid ordinary shares at a price of \$0.10 each following the exercise of share options by option holders.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the Company ordinary shareholders rank after creditors and are fully entitled to any proceeds on liquidation.

**(b) Capital reduction**

On 26 February 2003, the Board resolved to put to shareholders a resolution approving a return of capital of one-thousandth of one cent per share to be satisfied by the distribution in-specie of one QuikTrak Networks plc share for every 31 QuikTrak Networks Ltd shares held. This resolution was approved at General Meetings on 2 April 2003. As part of this transaction, intercompany receivables from the QuikTrak Networks plc group were forgiven.

In April 2003, QuikTrak Networks Ltd distributed 37,349,565 shares in QuikTrak Networks plc to shareholders in settlement of the return of capital.

**(c) Capital transfer**

In the prior year, the Company cancelled \$47,922,415 in share capital, being the accumulated losses incurred by the Company up to 31 December 2001. This was approved at a General Meeting of Shareholders on 30 May 2002.

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003

**18. CONTRIBUTED EQUITY - (continued)**

**Options**

3,788 options of \$0.10 each each were exercised during the year.

Option holders are not entitled to vote or participate in any share issue of the Company or receive dividends.

	2003 Number of Options	2002 Number of Options
31 March 2002 \$0.20 share options		
Opening balance	-	218,843,198
Granted during the year	-	-
Exercised or lapsed during the year	-	(218,843,198)
Closing balance	-	-
30 June 2005 \$0.20 participants option incentive scheme		
Opening balance	4,500,000	16,000,000
Granted during the year	-	-
Transfer of options with amended terms	-	(11,500,000)
Closing balance	4,500,000	4,500,000
30 June 2006 \$0.50 share options		
Opening balance	5,000,000	5,000,000
Granted during the year	-	-
Exercised or lapsed during the year	-	-
Closing balance	5,000,000	5,000,000
31 December 2004 \$0.10 share options		
Opening balance	631,717,140	165,316,801
Granted during the year	-	466,413,013
Exercised or lapsed during the year	(3,788)	(12,674)
Closing balance	631,713,352	631,717,140
31 December 2007 \$0.10 share options		
Opening balance	11,500,000	-
Transfer of options with amended terms	-	11,500,000
Exercised or lapsed during the year	-	-
Closing balance	11,500,000	11,500,000

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

**QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>19. RESERVES</b>				
Capital	84,000	84,000	-	-
There were no movements in reserves during the year.				
<b>20. ACCUMULATED LOSSES</b>				
Accumulated losses at the beginning of the year	(20,062,550)	(48,006,213)	(20,240,852)	(47,922,415)
Net loss attributable to members of the parent entity	(4,335,538)	(20,253,391)	(4,084,742)	(20,240,852)
Capital transfer	-	47,922,415	-	47,922,415
Outside equity interest in opening retained losses	-	274,639	-	-
Accumulated losses at the end of the year	(24,398,088)	(20,062,550)	(24,325,594)	(20,240,852)
<b>21. TOTAL EQUITY RECONCILIATION</b>				
Total equity at the beginning of the year	2,800,132	9,363,132	2,800,132	9,362,930
Total changes in parent entity interest in equity recognised in the statement of financial performance	(4,335,538)	(20,253,391)	(4,084,742)	(20,240,852)
Transactions with owners as owners:				
Contributions of equity	3,565,420	13,678,054	3,576,926	13,678,054
Total changes in outside equity interests	262,302	12,337	-	-
Total equity at the end of the year	2,292,316	2,800,132	2,292,316	2,800,132

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

**QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**22. DETAILS OF CONTROLLED ENTITIES**

	Place of Incorporation	Interest % 2003	Interest % 2002
QuikNet Pty Ltd	Australia	100	100
Autotrak Pty Ltd #	Australia	-	100
Datatral Pty Ltd #	Australia	-	100
Quiktrak Technologies Pty Ltd	Australia	100	100
King Communications Australasia Pty Ltd	Australia	100	100
QuikTrak (QLD) Pty Ltd	Australia	100	100
QuikTrak Finance Pty Ltd	Australia	100	100
Quiktrak Technologies Developments Pty Ltd	Australia	100	100
QuikTrak Telecommunications PLC*	UK	-	98.2
Quiktrak Technologies Ltd*	UK	-	98.2
QuikTrak Telecommunications (UK) Ltd*	UK	-	98.2
QuikTrak UK Ltd (Formerly QNL (UK) Ltd)*	UK	-	98.2
QuikTrak Telecommunications B.V.*	Netherlands	-	100
SST (No.1) Pty Ltd #	Australia	-	100
SST (No.2) Pty Ltd #	Australia	-	100
SST (No.3) Pty Ltd #	Australia	-	100
SST (No.4) Pty Ltd #	Australia	-	100
SST (No.5) Pty Ltd #	Australia	-	100
SST (No.6) Pty Ltd #	Australia	-	100
SST (No.7) Pty Ltd #	Australia	-	100
SST (No.8) Pty Ltd #	Australia	-	100
SST (No.9) Pty Ltd #	Australia	-	100
SST (No.10) Pty Ltd #	Australia	-	100
SST (No.11) Pty Ltd #	Australia	-	100
SST (No.12) Pty Ltd #	Australia	-	100
SST (No.13) Pty Ltd #	Australia	-	100
SST (No.14) Pty Ltd #	Australia	-	100
SST (No.15) Pty Ltd #	Australia	-	100
SST (No.16) Pty Ltd #	Australia	-	100
SST (No.17) Pty Ltd #	Australia	-	100
SST (No.18) Pty Ltd #	Australia	-	100
SST (No.19) Pty Ltd #	Australia	-	100
RMP (No.1) Pty Ltd #	Australia	100	75
RMP (No.2) Pty Ltd #	Australia	100	75
RMP (No.3) Pty Ltd #	Australia	100	75
RMP (No.4) Pty Ltd #	Australia	100	75
RMP (No.5) Pty Ltd #	Australia	100	75
RMP (No.6) Pty Ltd #	Australia	100	75
RMP (No.7) Pty Ltd #	Australia	100	75
RMP (No.8) Pty Ltd #	Australia	100	75
RMP (No.9) Pty Ltd #	Australia	100	75
RMP (No.10) Pty Ltd #	Australia	100	75
RMP (No.11) Pty Ltd #	Australia	100	75
RMP (No.12) Pty Ltd #	Australia	100	75
RMP (No.13) Pty Ltd #	Australia	100	75
RMP (No.14) Pty Ltd #	Australia	100	75
RMP (No.15) Pty Ltd #	Australia	100	75
RMP (No.16) Pty Ltd #	Australia	100	75
RMP (No.17) Pty Ltd #	Australia	100	75
RMP (No.18) Pty Ltd #	Australia	100	75
Voltrak Pty Ltd	Australia	75	75

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

**QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**23. DISPOSAL OF CONTROLLED ENTITIES**

**31 December 2003**

On 26 February 2003, the Board resolved to put to shareholders a resolution approving a return of capital of one-thousandth of one cent per share to be satisfied by the distribution in-specie of one QuikTrak Networks plc share for every 31 QuikTrak Networks Ltd shares held. This resolution was approved at General Meetings on 2 April 2003. As part of this transaction, intercompany receivables from the QuikTrak Networks plc group were forgiven. In April 2003, QuikTrak Networks Ltd distributed 37,349,565 shares in QuikTrak Networks plc to shareholders in settlement of the return of capital.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Consideration – capital reduction	11,506	-	11,506	-
Less: net assets at date of disposal	(2,270,810)	-	-	-
Net gain/(loss) on disposal	(2,259,304)	-	11,506	-
	%	%	%	%
Interest held after disposal	-	-	-	-

On disposal, the QuikTrak Networks plc group consisted of the following entities:

QuikTrak Technologies Ltd  
QuikTrak Telecommunications (UK) Ltd  
QuikTrak UK Ltd  
QuikTrak Telecommunications B.V.

# SST (No. 1) Pty Ltd through SST (No. 19) Pty Ltd, being wholly owned dormant companies, were deregis on 6 May 2003.

Autotrak Pty Ltd and Datatrak Pty Ltd, being wholly owned dormant companies, were both deregistered on 26 August 2003

RMP (No. 1) Pty Ltd through RMP (No. 18) Pty Ltd, being wholly owned dormant companies, were deregistered on 18 January 2004.

**31 December 2002**

The Consolidated Entity did not lose control over any entities during the corresponding reporting period.

**24. DISCONTINUING OPERATIONS**

The discontinuing operations comprise the UK group of companies. Refer to notes 18 and 23 for further details.

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Net loss	(952,139)	(11,986,728)	-	-
Net decrease in cash held	(1,539,047)	-	-	-
Net assets	-	2,364,123	-	-



**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003

**25. FINANCIAL INSTRUMENTS**

(a) Terms, Conditions and Accounting Policies

The Consolidated Entity's significant accounting policies are set out in note 1. Significant terms and conditions for each class of financial asset and financial liability, both recognised and unrecognised at the balance date, are as follows:

*Receivables*

The amounts receivable from trade and other debtors do not bear interest. Security deposits bear interest at rates agreed with the borrower.

*Payables*

Trade creditors are normally settled within 90 days.

(b) Interest rate risk

The following table details the Consolidated Entity's exposure to interest rate risk as at reporting date:

	Weighted Average Interest Rate	Variable Interest Rate \$	Fixed Interest Maturing Less than 1 year \$	Non Interest Bearing \$	Total \$
<b>2003</b>					
<b>Financial Assets</b>					
Cash assets	3.46%	649,739	116,250	-	765,989
Receivables		-	-	962,751	962,751
Other financial assets		-	-	5,150	5,150
Other assets		-	-	18,805	18,805
		649,739	116,250	986,706	1,752,695
<b>Financial Liabilities</b>					
Payables		-	-	2,246,285	2,246,285
Employee benefits		-	-	662,615	662,615
Interest bearing liabilities		-	-	-	-
		-	-	2,908,900	2,908,900
<b>2002</b>					
<b>Financial Assets</b>					
Cash assets	2.8%	2,149,613	828,157	-	2,977,770
Receivables		-	-	1,242,515	1,242,515
Other financial assets	6.9%	-	10,860,898	163,520	11,024,418
		2,149,613	11,689,055	1,406,0352	15,244,703
<b>Financial Liabilities</b>					
Payables		-	-	4,003,709	4,003,709
Employee benefits		-	-	672,238	672,238
Interest bearing liabilities	6.7%	3,503,451	10,860,898	-	14,364,349
		3,503,451	10,860,898	4,675,947	19,040,296

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003

**25. FINANCIAL INSTRUMENTS (continued)**

(c) Net Fair Value

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	Total carrying amount 2003 \$	Aggregate net fair value 2003 \$	Total carrying amount 2002 \$	Aggregate net fair value 2002 \$
<b>Financial Assets</b>				
Cash assets	765,989	765,989	2,977,770	2,977,770
Receivables	962,751	962,751	1,242,515	1,242,515
Other financial assets	5,150	64,930	-	-
Other assets	18,805	18,805	11,024,418	11,024,418
	<hr/> 1,752,695	<hr/> 1,812,475	<hr/> 15,244,703	<hr/> 15,244,703
<b>Financial Liabilities</b>				
Payables	2,246,285	2,246,285	4,003,709	4,003,709
Employee entitlements	662,615	662,615	672,238	672,238
Other financial liabilities	-	-	14,364,349	14,364,349
	<hr/> 2,908,900	<hr/> 2,908,900	<hr/> 19,040,296	<hr/> 19,040,296

For all financial assets and liabilities, the carrying amount as shown approximates the fair value, due to the short-term maturity of the items concerned.

(d) Credit Risk Exposures

The Consolidated Entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets.

At balance date, the Consolidated Entity did not have any material concentration of credit risk.

(e) Foreign Exchange Risk

The Consolidated Entity is not exposed to any significant foreign exchange risk.

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

**QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Consolidated 2003 \$	2002 \$	The Company 2003 \$	2002 \$
<b>26. REMUNERATION</b>				
<b>DIRECTORS</b>			No	No
The number of directors of the Company whose income from the Company or related parties was within the following bands:				
\$0 - \$9,999			2	-
\$10,000 - \$19,999			1	1
\$20,000- \$29,999			1	3
\$80,000- \$89,999			1	-
\$90,000- \$99,999			-	1
\$230,000- \$239,999			1	-
\$680,000- \$689,999			-	1
	\$	\$	\$	\$
Total income paid or payable or otherwise made available to all directors of the Company, controlled entities from the Company, or any related party	394,868	924,836	370,798	872,903
<b>EXECUTIVE OFFICERS</b>	No.	No.	No.	No.
The number of Australian based executive officers of the Company and Consolidated Entity whose income from the Company or related parties, and from entities within the Consolidated Entity falls within the following bands:				
\$100,000 - \$109,999	-	1	-	1
\$130,000 - \$139,999	-	1	-	-
\$140,000 - \$149,999	2	2	1	1
\$150,000 - \$159,999	1	1	1	1
\$170,000 - \$179,999	1	-	-	-
\$200,000 - \$209,999	1	-	1	-
\$280,000 - \$289,999	-	2	-	2
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 received or due and receivable by executives (including directors), including payments on termination, whose remuneration exceeds \$100,000	\$	\$	\$	\$
	818,373	1,255,851	501,927	973,339

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003

**27. RELATED PARTY DISCLOSURES**

**Directors**

The names of each person holding the position of director of the Company during the financial year are Messrs J A Landels, C Kyriakou, R J Cotton, P A Joannou, B J McGeorge and R.R Damelian.

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

Share transactions in the Company by directors or their director-related entities are:-

	Held at 1.1.2003	Acquired*	Disposed	Held at 31.12.2003 or date of resignation
J.A. Landels	1,333,334	1,333,334	-	2,666,668
R.J. Cotton	4,200	-	-	4,200
C. Kyriakou	34,079,504	23,333,333	29,500,000	27,912,837
P.A. Joannou	65,000	-	-	65,000
B.J. McGeorge	30,000	-	-	30,000
R.R Damelian	183,000,000	2,265,903	1,265,903	184,000,000

\* Shares acquired on market or by pro rata issue.

Option transactions in the Company by directors or their director-related entities are:-

	Held at 1.1.2003	Granted or Acquired**	Disposed	Held at 31.12.2003 or date of resignation
J.A. Landels	2,010,834	1,333,334	-	3,344,168
R.J. Cotton	500,000	-	-	500,000
C. Kyriakou	25,017,869	-	23,017,869	2,000,000
P.A. Joannou	500,000	-	-	500,000
B.J. McGeorge	500,000	-	-	500,000
R.R Damelian	100,000,000	20,000,000	-	120,000,000

\*\*Options acquired on market or by pro rata issue.

**Transactions with related parties**

The Company paid administration fees totalling \$123,988 (2002 : \$114,218) to Investika Ltd, a company of which Messrs J.A. Landels and C. Kyriakou are directors. The Company paid \$NIL (2002: \$433,082) underwriting and sub-writing fees to Investika.

The Company and controlled entities paid management consulting fees of \$99,000 (2002 : \$672,021) to Capma Pty Ltd. These consulting fees, which were charged at commercial rates, have been reflected in the directors' remuneration note 26. Capma Pty Ltd is a director-related entity of Mr C Kyriakou.

The Company purchased office equipment amounting to \$262 (2002 : \$7,867) from Zylotech Ltd, a company of which Mr B. McGeorge is a director. These goods were purchased at commercial rates.

The Company sold goods and services amounting to \$16,860(2002: \$94,177) to Strathfield Group Ltd, a company of which Mr P Joannou was a director. The goods and services were sold and bought at commercial rates.

The Company sold goods and services amounting to \$33,234 (2002: \$45,714) to the Rick Damelian Group of companies, of which Mr R Damelian is a director. The goods and services were sold and bought at commercial rates.

**NOTES TO AND FORMING PART  
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**QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**27. RELATED PARTY DISCLOSURES (continued)**

Amounts payable to / (receivable from) director-related entities at balance date arising from these transactions were as follows:

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Investika Ltd	16,161	25,667	16,161	25,667
Strathfield Group Ltd	(8,185)	(5,293)	(8,185)	(5,293)
Capma Pty Ltd	22,000	119,217	22,000	-
Rick Damelian Honda Pty Ltd	-	(4,300)	-	(4,300)
Rick Damelian Prestige and Saab Pty Ltd	-	(1,300)	-	(1,300)
Rick Damelian Pty Limited	(3,508)	(9,776)	(3,508)	(9,776)
Rick Damelian Pty Limited	-	3,012	-	3,012

**Controlled entities**

Details of interests in controlled entities are set out in Note 22. Details of dealings with these entities are set out below. These transactions are in the normal course of business and on normal terms and conditions.

Amounts owing by controlled entities are non-interest bearing. In aggregate, at balance date, controlled entities had non-current amounts due to the Company of \$18,645,822 (2002: \$30,432,550), less provision for non-recoverability in the Company's books of \$18,645,822 (2003: \$30,432,550).

**Other transactions**

The Company:

- purchases mobile data terminals from King Communications Australasia Pty Ltd
- purchases transponders and base station equipment from QuikTrak Technologies Developments Pty Ltd
- purchases technical support services from QuikTrak Technologies Developments Pty Ltd
- provides QuikNet Pty Ltd access services to the Melbourne and Sydney networks
- provides QuikTrak (QLD) Pty Ltd access services to the Brisbane network
- sells transponders and provides technical services to QuikNet Pty Ltd and QuikTrak (QLD) Pty Ltd

## **28. LOSS PER SHARE**

### *Classification of securities as ordinary shares*

The Consolidated Entity only has one class of security classified as ordinary shares as at 31 December 2003, being fully paid ordinary shares.

### *Classification of securities as potential ordinary shares*

The Consolidated Entity does not believe that it is probable that options outstanding as at 31 December 2003 (detailed in note 18) will be exercised based on the information available at the reporting date. As such they have not been included in the diluted earnings per share calculation.

<b>Consolidated</b>	
<b>2003</b>	<b>2002</b>

### **Earnings reconciliation**

Net loss for the year – used in calculating basic  
and diluted earnings per share

(\$4,335,538)	(\$20,253,391)
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### **Weighted average number of shares used as the denominator**

#### **For basic and diluted earnings per share**

Ordinary shares

1,266,594,739	832,364,255
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**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

**QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Consolidated		The Company	
		2003	2002	2003	2002
		\$	\$	\$	\$
<b>29. EMPLOYEE EBENEFITS</b>					
Aggregate employee benefits including on-costs					
Current	16	362,287	397,820	111,556	177,003
Non-current	16	300,328	274,418	101,901	104,740
		662,615	672,238	213,457	281,743
		No.	No.	No.	No.
Number of employees at year end		72	80	33	36

**Participants option incentive scheme**

On 30 May 2000, shareholders approved the issue of options over 16,000,000 unissued ordinary shares to employees and directors under a participants option incentive scheme. The options are exercisable at any time up to the expiry date at a price of \$0.20 per share and expire on the earlier of 30 June 2005 or ninety days after the date on which the participant no longer holds any office in, or employment with, the Consolidated Entity.

On 30 May 2002, shareholders approved an amendment to the scheme whereby 11,500,000 of the options' terms were varied by changing the exercise price to \$0.10 each and the expiry date to 30 June 2007.

No ordinary shares were issued in respect of options issued under this plan during the financial year.

Unissued ordinary shares of the Company under the participants option incentive scheme are:

	Exercise Price	Number of options	
		2003	2002
Expiry date			
30 June 2005	20¢	4,500,000	4,500,000
30 June 2007	10¢	11,500,000	11,500,000

**Superannuation plans**

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

Details of contributions to the defined contribution superannuation plans during the year and contributions payable at 31 December 2003 are as follows:

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
Employer contributions to the plans	480,250	524,000	187,640	260,000
Employer contributions payable to the plans	105,661	102,105	42,444	66,012

**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

**QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Consolidated		The Company	
	2003	2002	2003	2002
	\$	\$	\$	\$
<b>30. NOTES TO THE STATEMENTS OF CASH FLOWS</b>				
(a) Reconciliation of items classified as cash.				
For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits with maturity of less than 90 days. 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 balance sheet as follows:				
Cash on hand and at bank	649,739	2,149,613	615,828	334,345
Term deposits	116,250	828,157	116,250	116,250
	765,989	2,977,770	732,078	450,595
Term deposits of \$116,250 (2002: \$116,250) are held as security over a guarantee facility provided by a bank.				
(b) Reconciliation of operating loss after income tax to net cash used in operating activities:				
Operating loss after income tax	(4,392,734)	(20,276,712)	(4,084,742)	(20,240,852)
Add (less) non-cash items:				
Depreciation	777,882	975,602	754,016	872,085
Amortisation	336,213	560,097	292,538	280,101
Profit/(loss) on sale of property, plant and equipment	-	101,348	-	101,348
Amounts set aside/(written back) to provisions	(5,461)	37,118	(68,286)	16,319,743
Write off of development expenditure	952,139	6,749,000	-	-
Deconsolidation of the UK Group	2,259,304	-	(11,506)	-
Non-cash settlement of creditors through issue of shares	313,626	590,000	313,626	590,000
Gain on non-cash settlement of creditors through issue of shares	-	(385,673)	-	(385,673)
Other non-cash items	(146,421)	445,431	-	(8,219)
Net cash provided by/ (used in) operating activities before change in assets and liabilities	94,548	(11,203,789)	(2,804,354)	(2,471,467)
Changes in assets and liabilities adjusted for effects of deconsolidation of controlled entities during the financial year:				
(Increase)/decrease in receivables	676,825	487,430	(199,635)	(3,858)
(Increase)/decrease in inventory	594,100	(150,760)	542,332	(356,922)
(Increase)/decrease in other assets	-	1,534,000	-	531,508
Increase/(decrease) in trade creditors and accruals	(569,580)	(918,778)	381,559	120,527
Increase/(decrease) in other liabilities	(3,469,065)	119,129	360,500	139,289
Net cash used in operating activities	(2,673,172)	(10,132,768)	(1,719,598)	(2,040,923)



**NOTES TO AND FORMING PART  
OF THE FINANCIAL STATEMENTS**

**QUIKTRAK NETWORKS LTD  
FOR THE YEAR ENDED 31 DECEMBER 2003**

Consolidated		The Company	
2003	2002	2003	2002
\$	\$	\$	\$

**30. NOTES TO THE  
STATEMENTS OF CASH  
FLOWS (continued)**

**(c) Non cash financing activities**

During the year, the Company issued 32,393,395 fully paid ordinary shares in settlement of debts owing of \$313,626. Syndicate liabilities of \$10,860,898 were repaid by draw down of a term deposit of the same amount.

Syndicate liabilities of \$3,465,217 were settled by the issue of \$1,200,000 of convertible notes and the transfer of 2,500,000 shares in QuikTrak Networks plc owned by the Company.

During the year the Consolidated Entity disposed of its investment in the UK and Netherlands controlled entities by a distribution in-specie to the Company shareholders. Refer to Note 23.

**31. COMMITMENTS AND CONTINGENT LIABILITIES**

The Company and Consolidated Entity have no commitments for capital or revenue purchases other than items disclosed elsewhere in these financial statements or those entered into in the ordinary course of business.

**32. LEASE COMMITMENTS**

Non-cancellable operating lease  
commitments

Future operating lease rentals not provided  
for in the financial statements and payable:

Not later than one year	848,720	954,951	444,928	438,066
Later than one year but not later than five years	1,001,924	1,799,598	842,138	1,236,840
	<u>1,850,644</u>	<u>2,754,549</u>	<u>1,287,066</u>	<u>1,674,906</u>

Included in the above amounts are  
commitments for which the relevant  
premises have been sub-let under a non-  
cancellable operating sub-lease.

Not later than one year	69,754	62,538	-	-
Later than one year but not later than five years	25,256	95,011	-	-
	<u>95,010</u>	<u>157,549</u>	<u>-</u>	<u>-</u>

The Company leases plant and equipment, premises and sites under operating leases expiring from one to five years.

### 33. SEGMENT INFORMATION

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

#### **Geographical segments**

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The Consolidated Entity operates geographically as follows:

<i>Australia</i>	The sale of tracking, radio and mobile data equipment, the provision of network and other services and the sale of licences to the QuikTrak technology.
<i>United Kingdom</i>	Divested April 2003.

#### **Business segments**

The Consolidated Entity operates in one business segment: the sale of tracking, radio and mobile data equipment, the provision of network and other services and the sale of licences to the QuikTrak technology.

### 33. SEGMENT INFORMATION (continued)

#### Primary reporting – Geographic segments

	Australia		United Kingdom		Other		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
External segment revenue	8,652,151	9,971,718	-	-	-	-	8,652,151	9,971,718
Inter-segment revenue	-	-	-	-	-	-	-	-
<b>Total segment revenue</b>	8,652,151	9,971,718	-	-	-	-	8,652,151	9,971,718
Interest income	-	-	-	-	48,101	1,821,932	48,101	1,821,932
<b>Total revenue</b>	8,652,151	9,971,718	-	-	48,101	1,821,932	8,700,252	11,793,650
<b>Result</b>								
Segment result								
Loss from ordinary activities before income tax	(3,393,203)	(8,099,723)	(829,553)	(11,456,552)	(122,586)	(530,176)	(4,345,342)	(20,086,451)
Net unallocated expenses	-	-	-	-	-	-	(47,392)	(190,261)
Income tax expense	-	-	-	-	-	-	-	-
Loss from ordinary activities after income tax	(3,393,203)	(8,099,723)	(829,553)	(11,456,552)	(122,586)	(530,176)	(4,392,734)	(20,276,712)
Depreciation and amortisation	1,104,996	1,529,182	9,099	6,517	-	-	1,114,095	1,535,699
Non-cash expenses other than depreciation and amortisation	308,165	2,246,451	-	6,144,602	-	-	308,165	8,391,054
<b>Assets</b>								
Segment assets	6,699,588	8,574,670	-	3,839,882	-	10,894,948	6,699,588	23,309,500
Unallocated corporate assets	-	-	-	-	-	-	-	-
<b>Consolidated total assets</b>	6,699,588	8,574,670	-	3,839,882	-	10,894,948	6,699,588	23,309,500
<b>Liabilities</b>								
Segment liabilities	4,407,272	8,118,443	-	1,475,501	-	10,915,335	4,407,272	20,509,279
Unallocated corporate liabilities	-	-	-	-	-	-	-	-
<b>Consolidated total liabilities</b>	4,407,272	8,118,443	-	1,475,501	-	10,915,335	4,407,272	20,509,279
Acquisitions of non-current assets	44,515	1,046,469	-	653,547	-	-	44,515	1,700,016

## DIRECTORS' DECLARATION

In the opinion of the Directors of QuikTrak Networks Ltd:

- (a) the financial statements and notes, set out on pages 9 to 40 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 31 December 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 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:

J.A Landels  
Director

Dated : 15 March 2004

## **Independent audit report to members of QuikTrak Networks 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 QuikTrak Networks Limited (the "Company") and the Consolidated Entity, for the year ended 31 December 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 QuikTrak Networks 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 31 December 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 financial reporting requirements in Australia.

**Inherent uncertainty regarding going concern**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in the going concern note (Note 1(a)), there is significant uncertainty whether the Company and the Consolidated Entity will be able to continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report.

KPMG

LJ Gulson  
Partner

Sydney  
15 March 2004

## SHAREHOLDER INFORMATION AT 5 MARCH 2004

### A. STATEMENT OF ISSUED SHARES AND OPTIONS

- (i) The total number of shareholders is 13,469. Each shareholder is entitled to one vote per share held. The number of optionholders is 3,989.
- (ii) There are 2,366,067,608 ordinary fully paid shares and 631,713,352 listed options on issue. Refer to the Directors' Report for further information on options.
- (iii) The twenty largest shareholders hold 29.8% of the Company's issued capital.

### B. DISTRIBUTION OF SECURITIES

Equity Distribution	No. of Shareholders	No. of Optionholders
1 - 1,000	947	298
1,001 - 5,000	2,469	1,240
5,001 - 10,000	2,440	713
10,001 - 100,000	5,302	1,389
Over 100,000	2,311	349
	<hr/> 13,469	<hr/> 3,989

### C. SUBSTANTIAL SHAREHOLDERS

Substantial shareholder who has notified the Company is as follows:

Investika Ltd	264,420,677 shares
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### D. ON-MARKET BUY-BACK

There is no current on-market-buy-back

### E. VOTING RIGHTS

*Ordinary shares*

Refer to Note 18.

*Options*

Refer to Note 18.

### F. OTHER INFORMATION

QuikTrak Networks Ltd, incorporated and domiciled in Australia is a publicly listed company limited by shares.

## SHAREHOLDER INFORMATION AT 5 MARCH 2004 (CONTINUED)

### G. TOP 20 SHAREHOLDERS AND OPTIONHOLDERS APPEARING ON THE REGISTERS:

<i>Shareholder's Name</i>	<i>No of Shares held</i>	<i>% of capital held</i>	<i>Optionholder's Name</i>	<i>No of Options held</i>	<i>% of options held</i>
INVESTIKA LTD	264,420,677	11.18	INVESTIKA LTD	126,566,666	20.04
WESTPAC CUSTODIAN			INVESTMENT &		
NOMINEES	176,808,969	7.47	EQUITIES PTY LTD	98,736,210	15.63
SST PARTNERS PTY LTD	41,039,625	1.73	WESTPAC CUSTODIAN		
			NOMINEES LTD	56,326,637	8.92
GOOD HOPE FINANCE &			J P MORGAN		
INVESTMENT PTY LTD	27,912,537	1.18	NOMINEES		
			AUSTRALIA	14,165,039	2.24
J P MORGAN NOMINEES			DR JOHN CAPP PTY		
AUSTRALIA	22,708,156	0.96	LIMITED	13,500,000	2.14
NATIONAL NOMINEES			MARDASA NOMINEES		
LIMITED	20,466,343	0.86	PTY LTD	10,984,035	1.74
SIMIKIC, RISTO	15,901,738	0.67	CLASSIC ROOFING PTY		
			LTD	10,000,000	1.58
WILLIAM, FRANK	15,000,000	0.63	IMPIOMBATO, VINCE	8,983,000	1.42
RMP NOMINEES PTY LTD	13,960,375	0.59	MANAGEMENT, VAGG		
			INVESTMENT	6,225,917	0.99
ANZ NOMINEES LIMITED	13,871,129	0.59	AQUA MONTAGE PTY		
			LTD	6,019,667	0.95
SEDGMAN, GREGORY			AMOR, KEITH JOHN	6,000,000	0.95
WILLIAM	13,333,346	0.56			
SONG, ZHEMEI	12,000,000	0.51	ANASTASAKIS, ALEX		
			JOHN	6,000,000	0.95
CHAMRON, WOODHY	10,068,245	0.43	THE HOUSE OF DARE		
			PTY LTD	5,589,161	0.77
TRUONG, PETER	9,256,000	0.39	BOWYER, LLOYD		
			JOSEPH	5,000,000	0.79
THE HOUSE OF DARE PTY			REEF SECURITIES		
LTD	9,000,000	0.38	LIMITED	5,000,000	0.79
RICHARDS, MAURICE			NATIONAL NOMINEES		
ROBERT	8,648,000	0.37	LIMITED	4,895,348	0.77
BUCKLEY, JOHN MARK	8,600,000	0.36	FLECTRUM PTY LTD	4,000,000	0.63
GONG, XINHUI	8,180,000	0.35	THE PRICING		
			SOLUTIONS GROUP	3,821,633	0.60
TRAN, NGOC HUONG	8,000,000	0.34	SMITH, MATTHEW		
			WILLIAM	3,600,119	0.57
CLIFT, STEPHEN BRIAN	8,000,000	0.34	ARCHFIELD PTY LTD	3,501,000	0.55
Total Top 20	707,175,140	29.89	Total Top 20	398,914,432	63.13