

International Pacific Securities Plc

REPORT AND FINANCIAL STATEMENTS

30 June 2003



International Pacific Securities Plc

DIRECTORS AND OFFICERS

DIRECTORS

GG Hill (Chairman)
WR Eades
DJ Fairfull
MT Hill

SECRETARIES

Morten Management Ltd
JP De Gouveia

REGISTERED OFFICE

2 Bloomsbury Street
London WC1B 3ST

AUDITORS

Baker Tilly
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

International Pacific Securities Plc

DIRECTORS' REPORT

The directors submit their report and the financial statements of International Pacific Securities Plc for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of acting as international corporate advisers.

RESULTS AND DIVIDENDS

The results for the year are shown on page 5. The directors do not recommend the payment of a dividend for the year (2002: £Nil).

REVIEW OF THE BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The directors consider the company's results for the year under review and the state of its affairs at the balance sheet date are satisfactory.

FUTURE DEVELOPMENTS

Future developments in the operations of the company are the continued provision of international corporate and investment advice. No information is included in the expected results of those operations as it is in the opinion of the directors that this information would prejudice the interests of the company if included in this report.

DIRECTORS

The following directors have held office since 1 July 2002:

GG Hill
WR Eades
DJ Fairfull
MT Hill

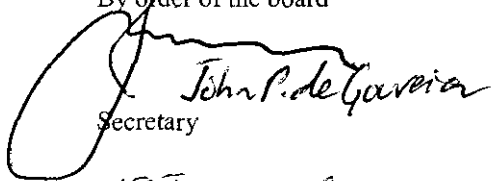
DIRECTORS' INTERESTS IN SHARES

No directors held any beneficial interest in the issued share capital of the company at 1 July 2002 or 30 June 2003.

AUDITORS

Baker Tilly, Chartered Accountants, were appointed as auditors by the directors to fill a casual vacancy. A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board



Secretary

19 January 2004

International Pacific Securities Plc

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL PACIFIC SECURITIES PLC

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

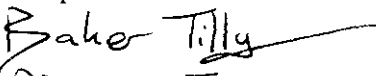
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 June 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BAKER TILLY
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

19 January 2004.

International Pacific Securities Plc

PROFIT AND LOSS ACCOUNT

for the year ended 30 June 2003

	Notes	2003 £	2002 £
TURNOVER	1	57,905	40,000
Cost of sales		(19,361)	(42,359)
Gross profit/(loss)		<u>38,544</u>	<u>(2,359)</u>
Other operating expenses (net)	2	-	40
OPERATING PROFIT/(LOSS)		<u>38,544</u>	<u>(2,319)</u>
Bank interest receivable		2,489	2,734
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>41,033</u>	<u>415</u>
Taxation	5	(1,208)	(1,328)
RETAINED PROFIT/(LOSS) FOR THE YEAR	12	<u><u>39,825</u></u>	<u><u>(913)</u></u>

The operating profit for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

International Pacific Securities Plc

BALANCE SHEET

30 June 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	6	15,444	13,691
CURRENT ASSETS			
Debtors	7	157	1,942
Cash at bank and in hand		186,621	94,167
		186,778	96,109
CREDITORS: Amounts falling due within one year	8	(80,825)	(28,228)
NET CURRENT ASSETS		105,953	67,881
TOTAL ASSETS LESS CURRENT LIABILITIES		121,397	81,572
CAPITAL AND RESERVES			
Called up share capital	10	267,000	267,000
Share premium account	11	1,584,000	1,584,000
Profit and loss account	12	(1,729,603)	(1,769,428)
EQUITY SHAREHOLDERS' FUNDS	13	121,397	81,572

Approved by the board on 19 January 2004


GG Hill Director


DJ Fairfull Director

International Pacific Securities Plc

CASH FLOW STATEMENT

for the year ended 30 June 2003

	<i>Notes</i>	2003 £	2002 £
Cash flow from operating activities	14a	89,438	(6,222)
Returns on investments and servicing of finance	14b	2,489	2,734
Capital expenditure and financial investment	14b	-	(13,691)
Taxation		527	(3,054)
INCREASE/(DECREASE) IN CASH IN THE PERIOD	14c	<u>92,454</u>	<u>(20,233)</u>

International Pacific Securities Plc

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Fixtures & fittings	20% on cost
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FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided.

International Pacific Securities Plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

1 TURNOVER

The company's turnover and profit before taxation were all derived from its principal activity. Sales were made in Australia.

2	OTHER OPERATING EXPENSES (NET)	2003 £	2002 £
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Other operating income	-	40
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3	PROFIT ON ORDINARY ACTIVITIES	2003 £	2002 £
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Profit on ordinary activities before taxation is stated after charging/(crediting):

Depreciation and amounts written off tangible fixed assets:

Charge for the year	-	-
owned assets	-	-
Exchange gains realised	(9,825)	(1,001)
unrealised	(1,753)	-
Auditors' remuneration	3,000	4,000

4	EMPLOYEES	2003 No.	2002 No.
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The average monthly number of persons (including directors) employed by the company during the year was:

Management and administration	1	1
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	2003 £	2002 £
Staff costs for above persons:		
Wages and salaries	20,000	20,000
Social security costs	1,854	1,833
	21,854	21,833

DIRECTORS' REMUNERATION

Only one director received remuneration in the year.

International Pacific Securities Plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

5	TAXATION	2003 £	2002 £
	Current tax:		
	UK corporation tax on profits of the period	9	-
	Foreign withholding tax	1,199	1,328
	Tax on profit on ordinary activities	<u>1,208</u>	<u>1,328</u>
	Factors affecting tax charge for period:	2003 £	2002 £
	The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
	Profit on ordinary activities before tax	41,033	415
	Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2002: 30%)	12,310	125
	Effects of:		
	Foreign tax claimed as a deduction	(92)	(82)
	Capital allowances in excess of depreciation	(62)	(95)
	Utilisation of tax losses	(11,587)	52
	Benefit of small companies starting rate	(560)	-
	Tax charge for period	<u>9</u>	<u>-</u>

6 TANGIBLE FIXED ASSETS

	Artwork £	Fixtures and fittings £	Total £
Cost			
1 July 2002	13,691	21,375	35,066
Disposal	-	(21,375)	(21,375)
Revaluation	1,753	-	1,753
30 June 2003	<u>15,444</u>	<u>-</u>	<u>15,444</u>
Depreciation			
1 July 2002	-	21,375	21,375
Disposals	-	(21,375)	(21,375)
30 June 2003	<u>-</u>	<u>-</u>	<u>-</u>
Net book value			
30 June 2003	<u>15,444</u>	<u>-</u>	<u>15,444</u>
30 June 2002	<u>13,691</u>	<u>-</u>	<u>13,691</u>

No depreciation has been charged on the artwork because the residual value is expected to be substantially higher than cost.

International Pacific Securities Plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

7	DEBTORS	2003 £	2002 £
	Due within one year:		
	Value added tax	157	216
	Taxation recoverable	-	1,726
		<u>157</u>	<u>1,942</u>
8	CREDITORS: Amounts falling due within one year	2003 £	2002 £
	Other creditors	67,453	15,527
	Corporation tax	9	-
	Accruals and deferred income	13,363	12,701
		<u>80,825</u>	<u>28,228</u>
9	DEFERRED TAXATION		
	No provision has been made for this asset in the accounts. The asset at the year end amounted to £643,059 (2002: £654,641) and related to capital losses carried forward.		
10	SHARE CAPITAL	2003 £	2002 £
	Authorised:		
	1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	Allotted, issued and fully paid:		
	267,000 ordinary shares of £1 each	<u>267,000</u>	<u>267,000</u>
11	SHARE PREMIUM	2003 £	2002 £
	1 July 2002 and 30 June 2003	<u>1,584,000</u>	<u>1,584,000</u>
12	PROFIT AND LOSS ACCOUNT	2003 £	2002 £
	1 July 2002	(1,769,428)	(1,768,515)
	Profit/(loss) for the financial year	39,825	(913)
	30 June 2003	<u>(1,729,603)</u>	<u>(1,769,428)</u>

International Pacific Securities Plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

13	RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS	2003 £	2002 £
	Profit/(loss) for the financial year	39,825	(913)
	Opening equity shareholders' funds	81,572	82,485
	Closing equity shareholders' funds	<u>121,397</u>	<u>81,572</u>
14	CASH FLOWS	2003 £	2002 £
a	Reconciliation of operating profit to net cash inflow from operating activities		
	Operating profit/(loss)	38,544	(2,319)
	Revaluation of tangible fixed assets	(1,753)	-
	Decrease in debtors	59	17,352
	Increase/(decrease) in creditors	52,588	(21,255)
	Net cash flow from operating activities	<u>89,438</u>	<u>(6,222)</u>
		2003 £	2002 £
b	Analysis of cash flows for headings netted in the cash flow		
	Returns on investments and servicing of finance		
	Interest received	2,489	2,734
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	-	(13,691)
		At 1 July 2002 £	Cash flow £
c	Analysis of net debt		At 30 June 2003 £
	Cash in hand, at bank	94,167	186,621
15	ULTIMATE PARENT COMPANY		

The immediate parent company is Republic Australia Pty Ltd, a company registered in Australia, and the ultimate parent company is HFT Nominees Pty Ltd, a company registered in Australia. Copies of these accounts can be obtained from Pitt Capital Partners Limited, Level 11, 2 Bligh Street, Sydney, NSW 2000, Australia.

International Pacific Securities Plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

16 RELATED PARTY DISCLOSURES

During the year, Corporate & Administrative Services Pty Ltd, a company in which G Hill, a director, has an indirect interest, provided accounting services to the company for AUS \$1,914. In addition, International Pacific Securities Plc invoiced Pitt Capital Partners Ltd, a company in which G Hill, a director, has an indirect interest, AUS \$50,000 for management fees. No amounts were due to or from these companies at the year end.

During the year management charges of £267 (2002: £1,597) were charged by Republic Australia Pty Limited.