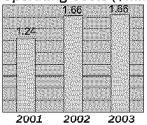


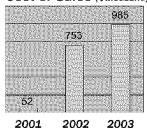
"Costs and each have kept under tight controls, mainly due to the successful implementation of the Jumbo e-commerce software"

"Jumbo Corporation is now well positioned to take advantage of the rapidly growing online shopping market which has grown to \$4 billion in Australia and \$20 billion globally in 2002"

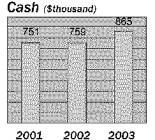
## Operating Costs (\$million)



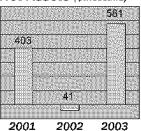
## Cost of Sales (\$thousand)



#### \_\_\_\_



## Net Assets (\$thousand)





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## CORPORATE DIRECTORY

## Directors

Alan Phillips (Chairman)

Mike Veverka (Chief Executive Officer)
Earl Evans (Non Executive Director)

## **Company Secretary**

Bruce David Burrell

## Registered Office

Level 8, Riverside Centre 123 Eagle Street Brisbane Qld 4000

Telephone: 07 3831 3705 Facsimile: 07 3831 9720

#### Bankers

ANZ Banking Group Commonwealth Bank of Australia St George Bank

## **Share Register**

Computer Share Investor Services Pty Limited Level 27, Central Plaza 1 345 Queen Street Brisbane Qld 4000 GPO Box 523 Brisbane Qld 4001

Telephone: 07 3237 2173 Facsimile: 07 3229 9860

## Auditors

Ernst & Young Level 5, I Eagle Street Brisbane Qld 4000

## Internet Address

www. jumbocorporation. com

## Australian Business Number

66 009 189 128



## BUSINESS OVERVIEW

## What does Jumbo do?

Jumbo Corporation provides safe and secure online shopping services to thousands of consumers and businesses around the world. The popularity of online shopping has grown over the past 8 years as people discover the cost and time saving benefits. Jumbo Corporation seeks to benefit from this growth by marketing competitive products to customers globally using its proprietary software systems as a competitive advantage.

## What drives people to shop online?

A growing number of people are finding that online shopping is a convenient alternative to traditional shopping with significant cost and time saving benefits. Jumbo is often able to sell goods at better prices with faster delivery than traditional retail outlets. This is possible because of improving Internet communication and security technologies. Jumbo concentrates its efforts onto certain "Internet-friendly" products that sell well over the Internet because of their marketing and delivery characteristics. One example of this is the sale of computer anti-virus software. A customer is able to purchase, download and protect their computer within a few minutes without leaving their desk. This is a significant benefit to the alternative of traveling to a traditional retail outlet and purchasing a boxed version.

## Is online shopping safe?

Yes, online shopping is very safe when reputable companies provide the necessary security measures to protect their customers' transaction information. Online shoppers are often better protected than traditional shoppers because a high degree of security is provided automatically on each and every transaction. Shoppers are often unaware of the lapses in security that can happen in traditional stores as a result of manual processing. Jumbo has been providing very high standards of security since 1995.

## How are products marketed?

The Internet has provided a host of new marketing opportunities with significant cost advantages over traditional marketing. Software tools can be used to promote products more accurately to targeted audiences on multiple continents at a fraction of the price of traditional marketing. Jumbo has developed proprietary software and techniques to market its products in many ways including search engines, affiliates (resellers) and compliant email newsletters. Once a sale is made, effort is directed towards repeat sales with existing customers. Jumbo also uses a number of specific product web sites targeted to specific markets that improve product sales.

## How does Jumbo compete with other sites?

At the heart of any ecommerce web site is the software used to control all aspects of the transaction from marketing and product display to payment and product delivery. Jumbo has developed its own proprietary software systems that it uses to maintain an advantage over its competitors. As new product types, marketing techniques and delivery alternatives are found, the software systems are quickly enhanced to bring the products to market faster and with more advantages. Other retailers that rely on prepackaged software systems are unable to respond in the same way at the same cost. One example of this ability was demonstrated when the company responded quickly to a recent outbreak of a new computer virus. An anti-virus product was made available for sale within 24 hours of the outbreak and existing customers were alerted to the threat. The payment and serial number issuing system was quickly adapted to allow those customers to purchase and install the software without leaving their desk.

## How big is the market?

Forrester Research estimated that global online shopping grew 52% to US\$78 billion (AUD\$120 billion) in 2002 (2002 US Ecommerce: The Year in Review. January 28, 2003). This was fuelled by a growth in new product categories, an improvement in digital marketing techniques and web analytics.



## BUSINESS OVERVIEW Cont'd

The Australian Bureau of Statistics released a report on 10 September 2003 stating that Internet shoppers spent around \$1.9 billion in 2001 and at least \$4 billion in 2002. The report also contained findings that demonstrate a growing number of people are beginning to spend more money online. The key indicators include:

- The number of Australian households that had access to a computer at home grew from 44% in 1998 to 61% in 2002.
- The number of Australian households that had home Internet access grew from 16% in 1998 to 46% in 2002.

## How does Jumbo handle stock?

Jumbo has a policy of minimizing stock levels to reduce carrying costs. The company only carries stock if significant margin benefits occur. Jumbo prefers to negotiate with suppliers to ship directly to the customer to speed up shipping, avoid double handling and reduce costs. The Jumbo software is installed within the supplier's premises to further automate the supply chain and ensure prompt shipments. When stock is carried by Jumbo, holding times are monitored closely to avoid obsolete stock.

## How does Jumbo provide customer support?

Customer support is an important element of maximizing customer confidence and return purchases. Jumbo uses both email and phone support options controlled by the Jumbo ecommerce software systems.

## What is the strategy to continue growth?

Jumbo is actively looking for Internet-related opportunities where it can use its expertise as a competitive advantage. These opportunities can be broadly defined into the following categories.

## 1. Retailing Opportunities.

As more people shop online, demand for a larger range of goods is expected to grow. Jumbo actively searches for new product lines and new suppliers that can fit into the Jumbo retailing strategy.

#### 2. Software Opportunities.

The software systems developed by Jumbo can be licensed to customers resulting in additional revenues. Jumbo already sells store building tools and as new features are developed, these can be packaged and sold to existing and new customers.

## 3. General Internet Opportunities.

People are not only attracted to the Internet for shopping, but also for entertainment and business productivity. Jumbo investigates other Internet-related activities and evaluates chance of success when combined with its current Internet skills.

### 4. Acquisitions.

Jumbo considers acquisition opportunities on their merit and bases its decision on the underlying technology, valuation and ability to grow shareholder wealth. Jumbo looks for ways that the investment can be maximized by its established skills and technologies.



## DIRECTORS' REPORT

Your directors submit their report for the year ended 30 June 2003.

#### DIRECTORS

The names and details of the directors of the Company in office at any time during the financial year and until the date of this report are as follows.

Names, qualifications, experience and special responsibilities

Alan Phillips Alan Phillips is the non-executive chairman of Jumbo Corporation Ltd. He has been a director, (Chairman) executive director and chairman of ASX listed public companies covering a period of 30 years, specialising in startup and turn-around across a broad range of industries, but predominantly in

Alan's current directorships include Adex Holdings Limited and Apollo Gold Mining Limited. Alan was appointed a director of Jumbo Corporation Limited on 10 May 2000. Prior to his current appointment, Mr. Phillips was a director from 30 October 1997 to 8 September 1999 of

Windsor Resources NL (now Jumbo Corporation Limited).

the mining exploration and technology industries.

Mike Veverka (Chief Executive Officer) Mike Veverka has been chief executive officer and a director of Jumbo Corporation Limited since the restructuring of the Company in September 1999.

since the restructuring of the Company in September 1999.

Mike was instrumental in the development of the e-commerce software that is the foundation to the various Jumbo operations. He was the original founder of Benon Technologies in 1995

when development of the software began.

Mike also established a leading Internet Service Provider in Queensland which operated successfully for 3 years before being sold. Mike is regarded as a pioneer in the Australian Internet Industry with many successful Internet endeavours to his name. Mike graduated with an honours degree in engineering in 1987.

Earl Evans
(Non executive Director)

Earl Evans is a senior executive of Macquarie Bank and has been instrumental in the capital raisings by the Company. He was appointed a non-executive director of Jumbo Corporation

Limited on 10 May 2000.

#### Interests in the shares and options of the company and related bodies corporate

At the date of this report, the interests of the directors in the shares and options of the Company are set out below. No director holds any interests in the securities of a related corporation.

#### Jumbo Corporation Limited

	Ordinary Shares fully paid	Options over Ordinary Shares
Alan Phillips	2,000,000	<del>-</del>
Mike Veverka	77,798,572	-
Earl Evans	3,000,000	-

During the year the following options held by Mr. Veverka expired unexercised: 19,000,000 options exercisable at 25 cents, expired on 31 December 2002.

29,000,000 options exercisable at 50 cents, expired on 31 December 2002.

The options were issued pursuant to the Company's Prospectus dated 13 August 1999.

Also during the year, at an extraordinary general meeting held on 27 June 2003, the shareholders approved the purchase of 20% of Editson Pty Limited, resulting in the group's ownership of Benon Technologies Pty Ltd increasing to 100%. The vendor of the 20% interest was Vesteon Pty Ltd, a company of which Mr. Veverka is a director and shareholder. This transaction is more fully disclosed in the Review of Operations section of this report.

EARNINGS PER SHARE	2003	2002
	cents	cents
Basic profit per share	.06 cents profit	(0.32) cents loss
Diluted profit per share	.06 cents profit	(0.32) cents loss



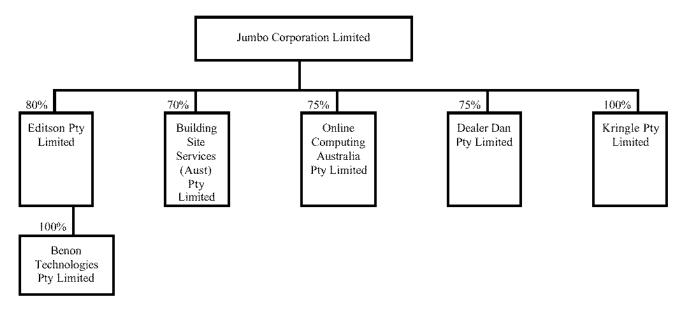
# DIRECTORS' REPORT Cont'd

#### DIVIDENDS

The directors recommend that no dividend be paid at this time. No dividend has been paid or provided since the end of the previous financial year

#### CORPORATE STRUCTURE

Jumbo Corporation Limited is a Company limited by shares that is incorporated and domiciled in Australia. Jumbo Corporation Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure.



At the close of business on 30 June 2003 the ownership of Editson Pty Ltd increased from 80% to 100% following shareholder approval of the acquisition at an extraordinary general meeting held on 27 June 2003.

### PRINCIPAL ACTIVITIES

**Benon Technologies Pty Li mited** owns the e-commerce software that is used in the various Jumbo and related businesses. This company is the main operational entity for the online retailing activity as described in the Business Overview section of this report.

**Building Site Services (Aust) Pty Limited,** which trades as Neobuild, provides information services to the commercial building industry, such as tenders, development applications, jobs won and lists of sub-contractors, suppliers and hire services. The 70% equity interest in Building Site Services (Aust) Pty Limited was acquired on 20 February 2001.

Online Computing Australia Pty Limited and Dealer Dan Pty Limited are online retailers of computer hardware and peripherals. The 75% interest in Online Computing Australia Pty Limited was acquired on 29 May 2002 and the 75% equity interest in Dealer Dan Pty Limited was acquired on 26 April 2001. These 2 companies effectively operate as a combined single entity.

Kringle Pty Limited is inactive. On the 30<sup>th</sup> June, Jumbo Corp entered into an agreement to sell Kringle to Sabena Ltd.

The consolidated entity employed 8 full-time employees as at 30 June 2003 (2002 - 11 employees).



## DIRECTORS' REPORT Cont'd

## RESULTS OF OPERATIONS

#### Financial

#### First Full Year Profit

The profitable result for the 12 months ending June 2003 is the first full year profit for the company. This is a result of the successful commercialisation of technology developed by the company over the past 4 years and the successful expansion into online retailing.

The consolidated entity made a profit after tax of \$111,797 before outside equity interests, for the year ended 30 June 2003, compared to a \$592,451 loss for the year ended 30 June 2002.

The profit attributable to members of Jumbo Corporation Limited, after deducting the outside equity interests in the loss, is \$101,677. (2002 - \$502,014 loss).

Summarised operating results are as follows:

	2003	2002
Operating profit/(loss) before write off of intangibles	111,797	(514,656)
Add:		
Write off of intangibles	-	(77,795)
Operating profit/(loss) before income tax	111,797	(592,451)
Income tax	-	•
Operating profit/(loss) after income tax	111,797	(592,451)
(Profit)/loss attributable to outside equity interests	(10,120)	90,437
Profit/(Loss) attributable to members of the Company	101,677	(502,014)

## Revenue Growth and Cost Control

Revenues grew 52% from \$1.82 million in the 12 months ending June 2002 to \$2.75 million in the 12 months ending June 2003. This was a result of improved marketing techniques and a wider range of products. Operating Costs were kept under control and grew only 5% from \$1.58 million to \$1.66 million over the same periods. This demonstrates that the company was able to handle larger revenues with minimal cost increases highlighting the success of the automated software systems.

The following table demonstrates the trend.

	2003	2002
Revenue	2,753,487	1,816,518
Operating Costs	1,656,562	1,656,181
Cost of Sales	985,128	752,788
Total Cost	2,641,690	2,408,969
Operating profit/(loss) before income tax	111,797	(592,451)

¢



## DIRECTORS' REPORT Cont'd

#### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Shareholder's equity attributable to members of the Company increased to \$678,764 from \$(41,036) at the close of the previous financial year.

The components of this increase are:

		.5
Shareholders' equity at 30 June 2002		(41,036)
i)	Increase in issued capital (refer note 16)	510,169
ii)	Profit attributable to members of Jumbo Corporation Ltd	101,677
iii)	Movement in interests of minority shareholders - in current year profits	10,120
Shai	reholders' equity at 30 June 2003	580,930

#### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 14 August 2003 the Company issued 10,000,000 ordinary shares at 1.3 cents per share in a private placement, using the "sophisticated investor" prospectus exemption, raising an additional \$130,000 in new capital.

Other than for the above 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, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors foresee that the 2004 financial year will be a period of further steady growth due to the commercialization of the technology and the expansion into online retailing.

The consolidated entity is in a stable position at the date of this report with adequate cash reserves and sufficient controls on costs to enable directors to grow the existing businesses and to look for further opportunities to benefit shareholders.

## ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory.



# DIRECTORS' REPORT Cont'd

#### SHARE OPTIONS

#### Unissued shares

As at the date of this report, there were 6,500,000 unissued ordinary shares under options as follows:

6,500,000 options to take up one ordinary share in Jumbo Corporation Limited at an issue price of \$0.05. The
options expire on 5 June 2006. These options were issued under the Employee Share Option Plan.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

#### Shares issued as a result of the exercise of options

No options were exercised during the year ended 30 June 2003.

No executives have exercised any options held by them.

No options have been exercised since the end of the financial year.

## **Employee Share Option Plan**

The Company has in place an Employee Share Option Plan approved by shareholders at the annual general meeting held on 30 November 1999.

No options were issued to employees under the Plan during the year ended 30 June 2003

6,500,000 options as described above have been issued under the Plan.

No options issued under the Plan have been exercised.

## **Options Expired**

The following options expired during the year ended 30 June 2003.

Number	Exercise Price	Expiry Date
22,941,171	20 cents	10 July 2002
22,500,000	25 cents	31 December 2002
32,500,000	50 cents	31December 2002

#### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has made an agreement to indemnify all the directors and executive officers for any breach of environmental or discrimination laws by the company, for which they may be held personally liable where:

- (a) the liability does not arise out of conduct involving a lack of good faith; or
- (b) the liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgement is given in their favor or in which they are acquitted.

The Company has not entered into any agreement or arrangement to indemnify its auditors, Ernst & Young, in respect to any claims by third parties.

The Company does not have a directors and officers insurance contract in place.



## DIRECTORS' REPORT Cont'd

#### DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Details of the nature and amount of each element of the emolument of each director of the Company for the financial year are as follows:

## **Emoluments of directors of Jumbo Corporation Limited**

	Annual Emoluments					
	Base Fee \$	Bonus \$	Professional Fees \$	Total S		
Alan Phillips	₩	-	54,000	54,000		
Mike Veverka	₩	-	97,600	97,600		
Earl Evans	₩	-	30,000	30,000		
				181,600		

The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity.

## **Emoluments of Executive Officers of Jumbo Corporation Limited**

Executives are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity. Mike Veverka, executive director, was the only executive during the financial year. Emoluments paid to Mr. Veverka are set out above.

No options were granted to any executive or executive director during the year ended 30 June 2003.

## DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director, while they were a director or committee member, were as follows:

	Directors' Meetings		
	No. held	No. attended	
Alan Phillips	11	11	
Mike Veverka	11	11	
Earl Evans	11	11	

There were no meetings of the Audit Committee , Nomination Committee or Remuneration Committee during the financial year ended 30 June 2003.

## CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behavior and accountability, the directors of Jumbo Corporation Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the additional ASX information section of this annual report.

Signed in accordance with a resolution of the directors.

Mike Veverka Director

Dated at Brisbane this 29th day of September 2003



# STATEMENT OF FINANCIAL PERFORMANCE

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED		JUMBO CORPORATI LIMITED	
		2003	2002	2003	2002
		\$	\$	\$	\$
REVENUES FROM ORDINARY ACTIVITIES	2	2,753,487	1,816,518	158,015	39,759
Cost of goods sold	3	(985,128)	(752,788)	•	-
Depreciation expense	3	(17,517)	(10,918)	· ·	-
Amortisation expense	3	(1,841)	(80,378)	•	_
Borrowing costs expense	3	(10,880)	(2,240)	•	-
Salaries and employee benefits expense	3	(323,174)	(412,586)	•	-
Directors' remuneration	3	(181,600)	(200,377)		-
Consultancy fees	3	(89,678)	(332,695)	(37,826)	(109,252)
Marketing costs	3	(62,508)	(63,727)	-	-
Other expenses from ordinary activities	3	(954,799)	(553,260)	(77,507)	(520,038)
Share of equity accounted loss from associates	3	(14,565)	_	(14,565)	
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		111,797	(592,451)	28,117	(589,531)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4	-		-	-
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE	•	111,797	(592,451)	28,117	(589,531)
NET PROFIT/(LOSS)	•	111,797	(592,451)	28,117	(589,531)
NET (PROFIT)/LOSS ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST	17	(10,120)	90,437		
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMERS OF JUMBO CORPORATION LIMITED	16	101,677	(502,014)	28,117	(589,531)
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Jumbo Corporation Limited.	•	101,677	(502,014)	28,117	(589,531)
Basic profit/(loss) per share (cents per share).		0.06 cents	(0.32) cents		
Diluted profit/(loss) per share (cents per share) .		0.06 cents	(0.32) cents		



# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2003	Notes	CONSOL	CONSOLIDATED		JUMBO CORPORATION LIMITED		
		2003	2002	2003	2002		
		\$	\$	\$	\$		
CURRENT ASSETS							
Cash assets	19(b)	865,083	758,670	82,865	290,515		
Receivables	6	284,380	73,026	138,750	1,720		
Inventories	7	12,665	24,675		-		
TOTAL CURRENT ASSETS		1,162,128	856,371	221,615	292,235		
NON-CURRENT ASSETS							
Receivables	6	w	-	75,600	-		
Investments accounted for using the equity method	8	135,435		135,435	-		
Other financial assets Interests in controlled entities	9 10	54,056	51,701	54,056 349,500	51,701		
Property, plant and equipment	11	36,548	26,676	349,300	12,000		
Intangible assets	12	349,500	12,000		_		
TOTAL NONCURRENT ASSETS	•	575,539	90,377	614,591	63,701		
TOTAL ASSETS		1,737,667	946,748	836,206	355,936		
CURRENT LIABILITIES							
Payables	13	1,088,328	896,492	42,542	100,558		
Interest -bearing liabilities	14	u u	2,793	-	-		
Provisions	15	68,409	88,499	v	-		
TOTAL CURRENT LIABILITIES		1,156,737	987,784	42,542	100,558		
TOTAL LIABILITIES	•	1,156,737	987,784	42,542	100,558		
NET ASSETS	•	580,930	(41,036)	793,664	255,378		
EQUITY	•						
Parent entity interest							
Contributed equity	16	20,724,592	20,214,423	20,724,592	20,214,423		
Accumulated losses	17	(20,032,095)	(19,587,010)	(19,930,928)	(19,959,045)		
Total parent entity interest in equity	10	692,497	627,413	793,664	255,378		
Total outside equity interest	18	(111,567)	(668,449)	-			
TOTAL EQUITY		580,930	(41,036)	793,664	255,378		



# STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2003	Notes	CONSOLIDATED		JUMBO CORPORATION LIMITED	
		2003	2002	2003	2002
		\$	\$	\$	\$
CASH FLO WS FROM OPERATING ACTIVITIES					
Receipts from customers Payments to suppliers and employees Interest received Borrowing costs		2,513,454 (2,426,012) 10,703	1,841,898 (1,928,395) 14,257 (2,240)	1,720 (162,055) 7,971	455 (122,921) 13,085
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	19(a)	98,145	(74,480)	(152,364)	(109,381)
CASH FLOWS FROM INVESTING ACTIVITIES Purchase of property, plant and equipment Purchase of shares Funds placed on deposit		(29,229) (150,000) (2,355)	(4,566) (51,701)	(150,000) (2,355)	(51,701)
Proceeds sale of shares  Loans to controlled entity		-	26,219	(75,600)	26,219 (281,358)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	•	(181,584)	(30,048)	(227,955)	(306,840)
CASH FLOWS FROM FINANCING ACTIVITIES Proceeds from issue of ordinary shares Proceeds on share issue from outside equity interests Repayment of borrowings – related party Repayment of Director loans Advances from director of controlled entity Repayment of borrowings		172,669 17,976 2,000 (2,793)	120,457 4,000 1,680 (13,447)	172,669	120,457
NET CASH FLOWS FROM FINANCING ACTIVITIES	•	189,852	112,690	172,669	120,457
NET INCREASE/(DECREASE) IN CASH HELD	•	106,413	8,162	(207,650)	(295,764)
Add opening cash brought forward		758,670	750,508	290,515	586,279
CLOSING CASH CARRIED FORWARD	19 (b)	865,083	758,670	82,865	290,515
	-				



## NOTES TO THE FINANCIAL STATEMENTS

#### 30 JUNE 2003

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention.

#### (b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the provision for employee benefits.

#### Employee Benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates to be paid when the liability is settled. The adoption of the Standard did not have a material effect on the statement of financial performance or statement of financial position of the company.

#### (c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Jumbo Corporation Limited (the parent entity) and all entities, which Jumbo Corporation Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

## (d) Foreign currencies

Transactions in foreign currencies within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

All resulting exchange differences arising on settlement or re-statement are brought to account in determining the profit or loss for the financial year.

## (e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.



## (f) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

## (g) Investments

Listed shares held for trading are carried at net market value. Changes in net market value are recognised as revenue or expense in the Statement of Financial Performance for the period.

Investments in associates are carried at the lower of the equity-accounted amount and the recoverable amount in the consolidated report.

All other non-current investments are carried at the lower of cost and recoverable amount.



## 30 JUNE 2003

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

## (h) Inventories

Inventories are valued at the lower of cost and net realisable value.

#### (i) Recoverable Amount

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

## (j) Property, plant and equipment

Items of property, plant and equipment are carried at cost.

Depreciation is provided on a diminishing value basis on all property, plant and equipment.

Major depreciation periods are: 2003 2002

Leasehold improvements: the lease term the lease term Plant and equipment: 3 to 7 years 3 to 5 years

#### (k) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

#### Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

## Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly the Statement of Financial Performance.

#### (I) Intangibles

#### Goodwill

Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. The goodwill primarily relates to amounts recorded in connection with the acquisition of the outside equity interest in Editson Pty Ltd in June 2003.

Goodwill is amortised on a straight-line basis over the period during which benefits are expected to be received. This is taken to be five years. At each reporting date, the carrying value of goodwill is reviewed to ensure it does not exceed the recoverable amount. When necessary adjustments are made to educe the carrying value to the recoverable amount.

#### Intellectual Property

Intellectual property development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where intellectual property development costs are deferred such costs are amortised over future periods on a basis related to expected future benefits.



#### 30 JUNE 2003

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (m)Other non-current assets

Research and development costs

Research and development costs are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed those costs. Where research and development costs are deferred such costs are amortised over future periods on a basis related to expected future benefits. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount identified is written off.

Expenditure carried forward

Significant items of carry forward expenditure having a benefit or relationship to more than one period are written off over the periods to which such expenditure relates.

#### (n) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

### (o) Interest bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Finance lease liability is determined in accordance with the requirements of AASB 1008: Leases.

## (p) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received or receivable by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## (q) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

## Interest

Control of the right to receive the interest payment.

#### **Dividends**

Control of the right to receive the dividend payment.

## Goods and Services

The consolidated entity generates revenue from ecommerce (Jumbomall), web site development and design software sales, subscriptions to business-to-business web portal and on-line retailing of computer and peripherals.

Benon Technologies Pty Ltd received commissions, which are charged on sales made through shops that are administrated by the Jumbomall and are recognised as income when the order has been completed. Jumbomall stores are charged subscriptions, which are payable monthly, quarterly, 6 monthly or yearly in advance. Revenue is recognised in the month that the fee relates to.



30 JUNE 2003

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (q) Revenue recognition (cont'd)

Web site development and design revenues are recognised when the project is completed. The company sells internet software tools and revenue on these sales is recognised when the software is delivered and payment has been received.

Building Site Services (Aust) Pty Ltd (trading as Neo Build) generates revenue from subscriptions to its business-to-business web portal. Revenue is recognised as it is billed to subscribers, as future costs incurred by the company in connection with these subscriptions are expected to be insignificant.

Dealer Dan Pty Ltd generates revenue from on-line sales of computer hardware and peripherals.

Revenue from online sales of computer hardware and peripherals is recognized when control of the goods is passed to the buyer.

Online Computing Australia Pty Limited, trading as Bozzo Brown Computer Wholesalers generates revenue from on-line sales of computer hardware and peripherals.

#### (r) Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

## (s) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benfits expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- · wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements; and
- other types of employee entitlements

are charged against profits on a net basis in their respective categories.

The value of the Employee Share Option Han, described in Note 16, is not being charged as an employee entitlement expense.



#### 30 JUNE 2003

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (t) Earnings per share

Basic earnings per share is determined by dividing the profit from ordinary activities after related income tax expense by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by dividing the profit from ordinary activities after related income tax expense adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year.

#### (u) Good and services tax

Revenues, expenses and assets are recognized net of the amount of GST except

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in
  which case the GST is recognised as part of the costs of acquisition of the asset or as part of the expense item
  as applicable; and
- · receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

## (v) Comparative amounts

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures. Comparatives for employee options have been reclassified and repositioned for consistency with current year disclosures as a result of the first time application of revised Accounting Standard AASB 1028 "Employee Benefits".

### (w) Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of business activities and the realisation of assets and the payment of liabilities in the normal course of business and at the amounted stated in this report.

As at 30 June 2003, the consolidated entity had net current assets of \$5,390. This compares to net current assets of (\$131,413) at 30 June 2002. Although the consolidated entity has generated a net profit from ordinary activities of \$101,677, this includes non-recurring revenue related to the sale of Kringle Pty Itd. The net loss from ordinary activities prior to this non-recurring item is \$37,073 and includes certain one-off establishment costs for new projects. Accordingly, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore realize its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The directors believe that Jumbo Corporation Limited and the consolidated entity will be able to pay their debts as and when they fall due based on the following information:

- Since 30 June 2003, the company has issued additional new ordinary shares raising \$130,000 in new capital.
- Benon Technologies, the operating company for the core Jumbo on line shopping business was profitable during 2003. Further effort will be made to continue the growth in Benon Technologies as the "Star Performer" of the group. Attention will be focused on improving marketing techniques and improving the software to maximize automation.
- Efforts will be made to grow the operations of the online casino business in which the company has an equity interest and expects dividend returns once this business is profitable.
- The consolidated entity has contracted the sale of the Kringle subsidiary with payment due before the end of June 2004. It is expected to receive settlement proceeds earlier than expected being late 2003.



-Turnaround growth in Online Computing Australia Pty Ltd and Dealer Dan Pty Ltd. Now that the new management has arrested the decline in the business, efforts will be made to grow the business in a more stable manner over the coming months. The customer base has proven to be strong to generate profits and sustain the business.

The financial report does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of liabilities that might be necessary should Jumbo Corporation Limited and consolidated entity not continue as a going concern.



30 JUNE 2003	CONSOLIDATED		CONSOLIDATED JUMBO CORPORA LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenues from operating activities				
Jumbomall commissions	1,082,275	551,093	U	-
Other commissions	292,776	212,010	ě	-
Revenue from sale of goods	1,015,576	804,697	·	
Revenue from services	158,727	171,912	Ü	v
Total revenues from operating activities	2,549,354	1,739,712		
Revenues from non-operating activities				
Rental income	37,645	16,880		_
Interest received - other persons/corporations	10,703	14,257	7,971	13,085
Proceeds from sale of shares		26,219		26,219
Revenue from sale of shares in Kringle Pty Ltd (a)	138,750		138,750	
Other revenues	17,035	19,450	11,294	455
Total revenues from ordinary activities	2,753,487	1,816,518	158,015	39,759
Limited was a controlled entity during 2003 and 2002, but was inactive during these years and had no profit or losses. The sale price of \$150,000 is non interest bearing and has been recorded at the present value)  3. EXPENSES AND LOSSES/ (GAINS)				
(a) Expenses				
Costs of sales				
Sale of goods	951,684	707,235	· ·	-
Sales of services	33,444	45,553	٠	
Total cost of sales	985,128	752,788	U	v
Depreciation of non current assets				
Plant and equipment	17,517	10,918	-	-
Amortisation of non-current assets				
Plant and equipment under lease	1,841	2,583	•	_
Goodwill		77,795	•	•
Total amortisation of non-current assets	1,841	80,378	·	u u
Borrowing costs expensed				
Interest expense – other persons/corporations	10,724	763		
Finance lease payments	156	1,477	•	
Total borrowing costs expensed	10,880	2,240	٠	•
Calaries and complex so handles expenses				
Salaries and employee betterns expense				
Salaries and employee benefits expense Salaries	290,910	371,797		
	290,910 22,704	371,797 33,044		u u



30 JUNE 2003	CONSOLIDATED		CONSOLIDATED JUMBO CORP LIMIT		
	2003	2002	2003	2002	
	\$	\$	\$	\$	
Total salaries and employment benefits	323,174	412,586	•		
Directors' remuneration					
Directors of the Company	181,600	200,377	-	٠	
Total directors remuneration	181,600	200,377	-	·	



30 JUNE 2003	CONSOLIDATED		CONSOLIDATED JUMBO CORPORATIO LIMITED		
	2003	2002	2003	2002	
	s	\$	s	\$	
3. EXPENSES AND LOSSES (GAINS) Cont'd					
Consultancy fees					
(Write back)/provision for legal costs	(49,247)	120,002	14,326	90,946	
Corporate - other	109,525	127,003	23,500	18,306	
Controlled entities	29,400	85,690			
Total Consultancy fees	89,678	332,695	37,826	109,252	
Marketing costs					
Commissions	42,605	52,721			
Promotions	19,903	11,006			
Total marketing costs	62,508	63,727	•		
Other expenses from ordinary activities					
Other expenses from ordinary activities  Bad and doubtful debts-trade debtors	6,303	27,034	•	۔	
	6,303	27,034	•	-	
Bad and doubtful debts-trade debtors	6,303 121,918	27,034 128,283			
Bad and doubtful debts-trade debtors Operating lease rental	•			281,358	
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in	•	128,283	-		
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in controlled entities	121,918	128,283	41.030	160,007	
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in controlled entities Auditors' remuneration	121,918	128,283	41,030		
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in controlled entities	121,918	128,283	41,030	160,007	
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in controlled entities Auditors' remuneration Accountancy fees	121,918 41,030 20,820	128,283 34,542 5,727		160,007	
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in controlled entities Auditors' remuneration Accountancy fees Bank merchant fees	121,918 41,030 20,820	128,283 34,542 5,727 156,520		160,007 34,542	
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in controlled entities Auditors' remuneration Accountancy fees Bank merchant fees Cost of shares sold	41,030 20,820 436,204	34,542 5,727 156,520 34,000		160,007 34,542 34,000	
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in controlled entities Auditors' remuneration Accountancy fees Bank merchant fees Cost of shares sold Other	41,030 20,820 436,204 328,524	34,542 5,727 156,520 34,000 167,154	36,477	160,007 34,542 34,000 10,131 520,038	
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in controlled entities Auditors' remuneration Accountancy fees Bank merchant fees Cost of shares sold Other Total other expenses from ordinary activities	41,030 20,820 436,204 328,524 954,799	34,542 5,727 156,520 34,000 167,154 553,260	36,477 77,507	160,007 34,542 34,000 10,131 520,038	
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in controlled entities Auditors' remuneration Accountancy fees Bank merchant fees Cost of shares sold Other Total other expenses from ordinary activities Total Costs	41,030 20,820 436,204 328,524 954,799	34,542 5,727 156,520 34,000 167,154 553,260	36,477 77,507	160,007 34,542 34,000 10,131	
Bad and doubtful debts-trade debtors Operating lease rental - minimum lease payments Provision for non recovery of loans to controlled entities Provision for diminuition in investments in controlled entities Auditors' remuneration Accountancy fees Bank merchant fees Cost of shares sold Other Total other expenses from ordinary activities  Total Costs  b) Losses	121,918 41,030 20,820 436,204 328,524 954,799 2,627,125	128,283 34,542 5,727 156,520 34,000 167,154 553,260 2,408,969	36,477 77,507 115,333	34,542 34,000 10,131 520,038 629,290	



30 JUNE 2003	CONSOLIDATED				ORPORATION MITED	
	2003	2002	2003	2002		
	\$	\$	\$	\$		
4. INCOME TAX						
The prima facie tax, using tax rates applicable in the country of operation, on operating loss differs from the income tax provided in the financial statements as follows:						
Prima facie tax on profit/(loss) from ordinary activities	33,539	(177,735)	8,435	(176,859)		
Calculated at 30%						
Tax effect of permanent differences						
Provision for diminution in investment	4,369	_	4,369	48,000		
Amortisation of intangible assets	-	24,113	<u>.</u>	u.		
Utilisation of opening losses brought forward	(37,908)		(12,804)			
Future income tax benefits not brought to account or written off	v	153,622		128,859		
Income tax expense attributable to ordinary activities	-		_	-		
Future income tax benefits not brought to account at balance date						
- timing differences	(42,714)	73,458	6,257	896,500		
- tax losses	1,124,834	1,120,028	247,627	266,689		
	1,082,120	1,193,486	253,884	1,163,189		

Future income tax benefit arising from tax losses of a controlled entity not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.

This future income tax benefit will only be obtained if:

- (a) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be compiled with; and
- (c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

# 5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends have been paid or provided for on ordinary shares during the year ended 30 June 2003 (30 June 2002 – nil).



30 JUNE 2003	CONSOLIDATED				CONSOLIDATED JUMBO CORPORAT LIMITED	
	2003	2002	2003	2002		
	\$	\$	\$	\$		
6. RECEIVABLES (CURRENT)						
Trade debtors	84,233	136,954	_	_		
Provision for doubtful debts	(6,303)	(113,633)	-	_		
	77,930	23,321				
Sundry debtors						
Receivable from sale of shares in Kringle Pty Ltd	138,750		138,750	_		
Other receivables	54,341	18,370	-	1,720		
Directors and director-related entities						
- director	13,359	31,335	_			
	284,380	73,026	138,750	1,720		
Receivables (Non-Current)						
Amounts other than trade debts receivable from related parties		-	3,039,784	2,967,326		
- controlled entities less provision for non-recovery	-	_	(2,964,184)	(2,967,326)		
	U	-	75,600	-		
(a) Terms and conditions relating to the above financial instruments						
Trade debtors and other receivables are non- interest bearing and generally on 30-day terms.						
(ii) Receivable from sale of shares in Kringle Pty Ltd is non interest bearing and is due on 30 June 2004.						
<ul><li>(iii) Details of the terms and conditions of related party receivables are set out in note 27.</li></ul>						
7. INVENTORIES (CURRENT)						
Finished goods at cost	12,665	24,675	_			



30 JUNE 2003		CONSOL	IDATED		RPORATION ITED
		2003	2002	2003	2002
		\$	\$	\$	\$
8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Investment in associate	8(a)	135,435	-	135,435	-
		OWNER INTEREST I CONSOLII ENTII	HELD BY DATED		
(a) Global Approach Ltd		2003	2002		
(i) Principal activity					
Online casino		38.7%	_		
		CONSO	LIDATED		
(ii) Share of associates profits (losses)		2003	2002		
Share of associates:					
Net loss before income tax		(14,565)	-		
Income tax expense attributable to net profit			-	_	
Net loss after income tax		(14,565)	-	_	
(iii) Carrying amount of investment					
Balance at beginning of financial year		-	-		
Investments made during the year		150,000	-		
Share of associates net losses for financial year		(14,565)	-	_	
Carrying amount of investment in associate at the end of the financial year		135,435	-	_	
(iv) Share in associates assets and liabilities					
Current assets		60,185	-		
Non-current assets		109,112	-		
Current Liabilities		33,862	-		
Non-current liabilities			-	_	
Net assets		135,435	-	-	
(v) Retained profits of the consolidated entity attributable to associate					
Balance at beginning of financial year		-	-		
Share of associates net profits/(losses)		(14,565)		-	



Balance at the end of the financial year

(14,565) -

54,056

30 JUNE 2003

CONSOLIDATED JUMBO CORPORATION LIMITED

2003 2002 2003 2002

51,701

9. OTHER FINANCIAL ASSETS (NON-CURRENT)

Term deposit

10. INTERESTS IN CONTROLLED ENTITIES

Name	Country of incor- poration	Percent equity i held b consol ent	nterest y the idated
		2003	2002
		%	%
Benon Technologies Pty Limited	Australia	100	80
Editson Pty Limited	Australia	100	80
<ul><li>less provision for diminution</li><li>and its controlled entity</li></ul>			
Kringle Pty Limited	Australia	•	100
Building Site Services (Aust) Pty Limited	Australia	70	70
Dealer Dan Pty Limited	Australia	75	75
<ul> <li>less provision for diminution</li> </ul>			
Online Computing Australia Pty Ltd	Australia	75	75

Editson Pty Limited was 80% owned by Jumbo Corporation Limited, the balance of 20% being owned by Vesteon Pty Limited a company associated with Mr Veverka, a director, up to the close of business on 30 June 2003.

Benon Technologies Pty Limited is a wholly owned controlled entity of Editson Pty Limited.

Building Site Services (Aust) Pty Limited is owned 70% by Jumbo Corporation Limited.

Dealer Dan Pty Limited and Online Computing Australia Pty Limited are both 75% owned by Jumbo Corporation Limited.

Kringle Pty Limited is a wholly owned controlled entity of Jumbo Corporation Limited.

Building Site Services (Aust) Pty Limited (trading as Neo Build) was acquired on 20 February 2001.

Dealer Dan Pty Limited was acquired on 26 April 2001

Online Computing Australia Pty Limited (trading as Bozzo Brown Computer Wholesalers) was acquired on 26 May 2002.

fombo	Corporation	Limited
FUHIER	COPPORTION	LIIIIICU

54,056

51,701

2003		2002	
\$		\$	
12,099,997	(a)	12,099,997	(a
10,737,500		10,400,000	-
(10,400,000)		(10,400,000)	
		I	
160,000		160,000	
6		6	
(160,006)		(160,007)	
12,000		12,000	
349,500		12,000	-



1. PROPERTY, PLANT AND EQUIPMENT	2003	2002 \$ 13,597 (13,597)
Plant and equipment at cost   Office equipment and furnit ure   123,460   119,250   Accumulated depreciation   (92,585)   (100,088)   30,875   19,162   Plant and equipment under lease   Office Equipment   21,601   21,601   Accumulated amortisation   (15,928)   (14,087)   5,673   7,514   Total plant and equipment   36,548   26,676      Reconciliations   Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.   Plant and equipment   25,514   Additions   32,428   4,566   Disposal of assets   (3,198)   Carrying amount at year end   30,875   19,162   Plant and equipment   (17,517)   (10,918)   Carrying amount at year end   30,875   19,162   Plant and equipment   Plant and equipment   Plant and equipment   Plant and equipment   (17,517)   (10,918)   Carrying amount at year end   30,875   19,162   Plant and equipment   (17,517)   (10,918)   Carrying amount at year end   30,875   19,162   Plant and equipment   Plant and		13,597 (13,597)
Plant and equipment at cost   123,460   119,250   Accumulated depreciation   (92,585)   (100,088)   30,875   19,162	-	(13,597)
Plant and equipment at cost   123,460   119,250   Accumulated depreciation   (92,585)   (100,088)   30,875   19,162	-	(13,597)
Office equipment and furnit ure         123,460         119,250           Accumulated depreciation         (92,585)         (100,088)           30,875         19,162           Plant and equipment under lease         21,601         21,601           Office Equipment         (15,928)         (14,087)           Accumulated amortisation         (15,928)         (14,087)           Total plant and equipment         36,548         26,676           Reconciliations           Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.         19,162         25,514           Plant and equipment         32,428         4,566         4,566           Disposal of assets         (3,198)         -           Depreciation expense         (17,517)         (10,918)           Carrying amount at year end         30,875         19,162	-	(13,597)
Plant and equipment under lease   Office Equipment   21,601   21,601   Accumulated amortisation   (15,928)   (14,087)   5,673   7,514   Total plant and equipment   36,548   26,676	-	- - - -
Plant and equipment under lease         21,601         21,601           Accumulated amortisation         (15,928)         (14,087)           5,673         7,514           Total plant and equipment         36,548         26,676           Reconciliations           Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.           Plant and equipment         19,162         25,514           Carrying amount at beginning         19,162         25,514           Additions         32,428         4,566           Disposal of assets         (3,198)         -           Depreciation expense         (17,517)         (10,918)           Carrying amount at year end         30,875         19,162	-	
Plant and equipment under lease         21,601         21,601           Accumulated amortisation         (15,928)         (14,087)           5,673         7,514           Total plant and equipment         36,548         26,676           Reconciliations           Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.           Plant and equipment         19,162         25,514           Additions         32,428         4,566           Disposal of assets         (3,198)         -           Depreciation expense         (17,517)         (10,918)           Carrying amount at year end         30,875         19,162	-	
Office Equipment         21,601         21,601           Accumulated amortisation         (15,928)         (14,087)           5,673         7,514           Total plant and equipment         36,548         26,676           Reconciliations           Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.           Plant and equipment         19,162         25,514           Additions         32,428         4,566           Disposal of assets         (3,198)         -           Depreciation expense         (17,517)         (10,918)           Carrying amount at year end         30,875         19,162           Plant and equipment	-	
Accumulated amortisation         (15,928)         (14,087)           5,673         7,514           Total plant and equipment           Reconciliations           Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.           Plant and equipment         19,162         25,514           Additions         32,428         4,566           Disposal of assets         (3,198)         -           Depreciation expense         (17,517)         (10,918)           Carrying amount at year end         30,875         19,162	-	
Total plant and equipment 36,548 26,676  Reconciliations Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.  Plant and equipment  — at cost  Carrying amount at beginning 19,162 25,514  Additions 32,428 4,566  Disposal of assets (3,198) -  Depreciation expense (17,517) (10,918)  Carrying amount at year end 30,875 19,162		
Reconciliations Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.  Plant and equipment  - at cost  Carrying amount at beginning  Additions  19,162  25,514  Additions  32,428  4,566  Disposal of assets  (3,198)  - Depreciation expense  (17,517)  (10,918)  Carrying amount at year end  Plant and equipment	-	-
Reconciliations of the carrying amounts of property plant and equipment at the beginning and end of the current and previous financial year.  Plant and equipment  — at cost  Carrying amount at beginning  Additions  19,162  25,514  Additions  32,428  4,566  Disposal of assets  (3,198)  — Depreciation expense  (17,517)  (10,918)  Carrying amount at year end  Plant and equipment		
plant and equipment at the beginning and end of the current and previous financial year.  Plant and equipment  - at cost  Carrying amount at beginning  Additions  Disposal of assets  Depreciation expense  Carrying amount at year end  Plant and equipment  19,162  25,514  4,566  Disposal of assets  (3,198)  - Depreciation expense  (17,517)  (10,918)  Plant and equipment		
- at cost       19,162       25,514         Carrying amount at beginning       32,428       4,566         Disposal of assets       (3,198)       -         Depreciation expense       (17,517)       (10,918)         Carrying amount at year end       30,875       19,162         Plant and equipment		
Carrying amount at beginning       19,162       25,514         Additions       32,428       4,566         Disposal of assets       (3,198)       -         Depreciation expense       (17,517)       (10,918)         Carrying amount at year end       30,875       19,162         Plant and equipment		
Additions         32,428         4,566           Disposal of assets         (3,198)         -           Depreciation expense         (17,517)         (10,918)           Carrying amount at year end         30,875         19,162           Plant and equipment		
Disposal of assets         (3,198)         -           Depreciation expense         (17,517)         (10,918)           Carrying amount at year end         30,875         19,162           Plant and equipment	•	_
Depreciation expense         (17,517)         (10,918)           Carrying amount at year end         30,875         19,162           Plant and equipment	•	_
Carrying amount at year end 30,875 19,162  Plant and equipment	•	•
Plant and equipment	•	-
• •		-
- under lease		
Carrying amount at beginning 7,514 10,097		•
Amortisation expense (1,841) (2,583)		
Carrying amount at year end 5,673 7,514	ų.	
12. INTANGIBLES		
Goodwill 432,852 95,352		
Accumulated amortisation and write off (83,352) (83,352)		
349,500 12,000	•	•
Intellectual property 20,090 20,090	,	
Accumulated amortisation (20,090) (20,090)		
349,500 12,000	•	



30 JUNE 2003	CONSOLIDATED				ORPORATION MITED	
	2003	2002	2003	2002		
	\$	\$	\$	\$		
13. PAYABLES (CURRENT)						
Trade creditors	991,683	847,168	19,836	100,558		
Other creditors	45,321	-	22,706	-		
Aggregate amounts payable to related parties						
Directors and director related entities						
<ul> <li>director of controlled entities</li> </ul>	51,324	49,324	-	-		
	1,088,328	896,492	42,542	100,558		
<ul> <li>a) Terms and conditions relating to the financial instruments:</li> <li>i) Trade creditors are non-interest bearing and are normally settled on 30-day terms.</li> <li>ii) Other creditors are non-interest bearing</li> <li>iii) Details of the terms and conditions of related party loans are set out in note 27.</li> </ul>						
14. INTEREST BEARING LIABILITIES (CURRENT)						
Lease liability (refer note 21)		1,173	-	-		
Bank loan - unsecured	·	1,620	-	-		

- Terms and conditions relating to the above financial instruments:
  - Lease liabilities have an average lease term of 1 year with the option to purchase the asset at the completion of the lease term.

The average discount rate implicit in the leases is nil %-(2002-16.6%).

Secured lease liabilities are secured by a charge over the leased assets.

ii) Bank loan is repayable monthly with the final installment paid on 28 March 2003.

2,793



30 JUNE 2003	CONSOLIDATED JUMBO CORPORAT LIMITED			
	2003	2002	2003	2002
	\$	\$	\$	\$
15. PROVISIONS (CURRENT)				
Fringe benefits tax	40,770	33,271	-	£
Employee benefits	27,639	30,228	-	-
Other provisions		25,000	-	-
	68,409	88,499	-	
16. CONTRIBUTED EQUITY				
a) Issued and paid up capital				
- Ordinary shares fully paid.	20,724,592	20,214,423	20,724,592	20,214,423
	CONSOL	IDATEÐ	CONSOLI	DATED
b) Movements in shares on issue	2003	2003	2002	2002
	Number of Shares	\$	Number of Shares	\$
Balance at the beginning of the year Issued during the year:	163,338,459	20,214,423	157,720,171	20,070,041
<ul> <li>on 7 February 2002 in satisfaction of debt</li> <li>on 20 May 2002 in consideration for acquisition</li> </ul>	v	•	400,000	12,000
of Online Computing Australia Pty Ltd  on 28 June 2002 under the Shareholder Share Offer		-	400,000 4,818,288	12,000 120,457
<ul> <li>on 23 August 2002 under Shareholder Share Offer</li> <li>on 7 May 2003 as a private placement</li> </ul>	2,426,768 8,000,000	60,669 112,000	٠	
<ul> <li>on 27 June 2003 in consideration for acquisition of balance of shares in Editson Pty Ltd</li> </ul>	25,000,000	337,500	u.	-
	198,765,227	20,724,592	163,338,459	20,214,498
less: Transaction costs	•	v	v	(75)
Balance at the end of the financial year	198,765,227	20,724,592	163,338,459	20,214,423

## c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus issues in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

## d) Share Options

Options over ordinary shares: At 30 June 2003 there were 6,500,000 (2002: 84,441,741) unissued ordinary shares in respect of which options were outstanding.



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## 16. CONTRIBUTED EQUITY (Cont'd)

Details of these options are:	2003 No. of options	2002 No. of options
	No. or options	NO. OF OPHORS
exercisable at 25 cents expiring on 31 December 2002.	•	22,500,000
exercisable at 50 cents expiring on 31 December 2002		32,500,000
exercisable at 20 cents expiring on 10 July 2002	-	22,941,741
exercisable at 5 cents expiring on 5 June 2006	6,500,000	6,500,000

## e) Employee Share Option Plan

The Company has in place an Employee Share Option Plan approved by shareholders at the annual general meeting held on 30 November 1999. Refer note 21. On 6 June 2001 the Company granted a total of 5,750,000 options exercisable at 5 cents each and expiring on 5 June 2006 under the Employee Share Option Plan. On 29 March 2002 the Company granted a further 750,000 options also exercisable at 5 cents each and expiring on 5 June 2006 under the Employee Share Option Plan. The total number of options granted under the Employee Share Option Plan is 6,500,000.

	CONSOLIDATED		JUMBO CORPORATION LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
17. ACCUMULATED LOSSES				
Balance at the beginning of the year	(19,587,010)	(19,084,996)	(19,959,045)	(19,369,514)
Net profit/ (loss) attributable to members of Jumbo Corporation Limited	101,677	(502,014)	28,117	(589,531)
Outside equity interest in Editson Pty Ltd accumulated losses assumed by parent company upon acquisition of shares	(546,762)			
Balance at the end of the year	(20,032,095)	(19,587,010)	(19,930,928)	(19,959,045)
18. OUTSIDE EQUITY INTEREST				
Reconciliation of outside equity interest in controlled entities:	2003 \$	2002 \$		
Opening balance	(668,449)	(582,012)		
Share of current year operating profit/(loss)	10,120	(90,437)		
Share of capital of acquired controlled entities	-	4,000		
Outside equity interest in Editson Pty Ltd accumulated losses assumed by parent company upon acquisition of shares	546,762	•		
Closing balance	(111,567)	(668,449)		



36 JUNE 2003	CONSOLIDATED		JUMBO CORPORATION LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
19. STATEMENT OF CASH FLOWS				
(a) Reconciliation of the operating loss after tax to the net cash flows from operations				
Operating profit after tax	111,797	(592,451)	28,117	(589,531)
Add non-cash items:				
Loss on sale of shares				
Depreciation of non-current assets	17,517	10,918	-	_
Amortisation of non-current assets	1,840	2,583	-	_
Amortisation and write off of intangibles	•	77,795	-	-
Provision for doubtful debts	6,303	27,034	-	_
Provision for employee entitlements	9,560	7,745	-	-
Other Provisions	,	(29,831)	-	
Provision for loss on loan to controlled entity	· ·	u u	-	281,358
Net loss on sale of shares	v	7,781	-	7,781
Provision for diminution - controlled entity	w	-	-	160,007
Share of associate losses	14,565	-	14,565	-
Preliminary expenses written off		-	-	_
Decrease/(Increase) in trade receivables	(60,913)	65,854		-
Decrease/(Increase) in Other Receivables	(174,721)		(137,030)	
Decrease/(Increase) in inventories	12,010	(20,820)		-
Increase/(Decrease) in trade creditors	144,516	368,912	(80,722)	31,004
Increase/(Decrease) in other creditors	45,321	-	22,706	-
Increase/(Decrease) in Other Provisions	(29,650)	-	•	•
Net cash flow (used in) operating activities	98,145	(74,480)	(152,364)	(109,381)
(b) Reconciliation of cash				
Cash balance comprises:				
- cash on hand	865,083	758,670	82,865	290,515
- funds on deposit	•		<u>.</u>	
•	865,083	758,670	82,865	290,515

## (c) Financing facilities available

The consolidated entity has no financing facilities negotiated.

## (d) Non cash financing and investing activities

During the year ended 30 June 2003 the company acquired 20% of Editson Pty Ltd, resulting in the companys ownership increasing to 100%. The consideration paid was \$337,500 which was satisfied by the issue of 25,000,000 ordinary shares in Jumbo Corporation Ltd at a deemed issue price of 1.35 cents per share.

During the year ended 30 June 2003 the company sold its 100% interest in Kringle Pty Limited for \$150,000

## (d) Acquisition of controlled entities

No controlled entities were acquired during the year ended 30 June 2003.

During the year ended 30 June 2002 the Company acquired 75% of the share capital of Online Computing Australia Pty Limited on 29 May 2002. The consideration payable was \$12,000 which was satisfied by the issue of 400,000 ordinary shares in Jumbo Corporation Limited at a deemed issue price of 3 cents per share.

Online Computing Australia Pty Ltd is an on-line retailer of computer hardware.



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## CONSOLIDATED

2003 2002 \$ \$

## 19. STATEMENT OF CASH FLOWS (Cont'd)

Online Computing Australia Pty Limited had no assets or liabilities at acquisition date of 29 May 2002.

	CONSOLIDATED		JUMBO CORPORATION LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
20. EXPENDITURE COMMITMENTS				
a) Capital expenditure commitments				
There are no capital expenditures contracted for at balance date	-	-	-	-
b) Lease expenditure commitments				
i) Finance leases				
- not later than one year	U	1,173	-	-
- later than one year and not later than five years	J	_	-	-
- total minimum lease payments	· ·	1,173	-	-
- less future finance charges		-	-	-
- lease liability	U	1,173	-	-
- current liability	U	1,173	-	-
- non-current liability	v	-	-	-
Total lease liability accrued for:	v	1,173	-	-



30 JUNE 2003	CONSOLIDATED		CONSOLIDATED JUMBO CORPO- LIMITEE		
	2003	2002	2003	2002	
	\$	\$	\$	\$	
20. EXPENDITURE COMMITMENTS (Cont'd)					
ii) Operating leases					
Minimum lease payments					
- not later than one year	-	123,818	-	-	
- later than one year and not later than five years	-	125,112	-	-	
<ul> <li>aggregate lease expenditure contracted for at balance date</li> </ul>	-	248,930	-	-	
21. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS					
Employee Entitlements					
The aggregate employee entitlement liability is comprised of:					
Provisions (current)	27,639	30,228		-	

### **Superannuation Commitments**

The consolidated entity does not have a company administered superannuation fund and therefore there are no promised or defined benefits in respect to superannuation.

All employees are entitled to the payment of the Superannuation Guarantee Charge and this amount is paid quarterly. Each employee may nominate a specific superannuat ion fund to which payments are to be made.

# **Employee Share Option Plan**

The consolidated entity has an Employee Share Option Plan approved by shareholders at the annual general meeting held on 30 November 1999, whereby eligible employees may be issued with options over ordinary shares in Jumbo Corporation Limited. The options are generally issued for a 5 year term and are exercisable at any time by the option holder. There are currently 8 employees eligible for this scheme.

The options cannot be transferred and will not be quoted on ASX.

Directors are not entitled to participate in the Plan.

Information with respect to the number of options granted under the Plan is as follows:

	2003		2002	
	Number of Options	Exercise Price	Number of Options	Exercise Price
Balance at beginning of the year	6,500,000	5 cents	-	
- granted on 5 June 2001	-		5,750,000	5 cents
- granted on 19 March 2002	v		750,000	5 cents
Balance at end of the year	6,500,000	5 cents	6,500,000	5 cents
Exercisable at end of year	6,500,000	5 cents	6,500,000	5 cents



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The following table summarises information about options held by employees at 1 st July 2002 and 30th June 2003. There were no options granted or exercised during the reporting period.

Number of	Grant	Vesting	Expiry	Weighted Average
Options	Date	Date	Date	Exercise price
5,750,000	5 June 2001	5 June 2001	5 June 2006	5 cents
750,000	19 March 2002	19 March 2002	5 June 2006	5 cents

#### 22.CONTINGENT LIABILITIES

#### Controlled entities

The parent entity has no contingent liability in respect of its controlled entities.

#### Litigation - other persons

The economic entity is engaged in three separate disputes involving litigation.

- Benon Technologies Pty Lim ited is engaged in litigation in respect to a disputed bill amounting to \$13,680 plus costs and
  interest in relation to the provision of exhibit space at an exhibition held in June 2000. Benon Technologies disputes the
  account. The directors do not consider that this matter will have a material impact on the economic entity.
- 2. Benon Technologies Pty Limited and Jumbo Corporation Limited are engaged in litigation with a former professional consultant in respect to fees charged by the consultant. The matters have been in progress since June 2000. The matters relate to invoices totalling approximately \$215,000 delivered by the consultant to the companies of which approximately \$95,000 has been paid by the companies to the consultant. The companies are claiming they have overpaid the consultant by approximately \$69,000 and the consultant in turn, is claiming underpayment of approximately \$120,000. The directors do not consider that this matter will have a material impact on the economic entity.
- 3. Jumbo Corporation Limited and two of its directors are engaged in litigation in respect to a partly-owned controlled entity. The minority shareholders in the controlled entity have applied to the Supreme Court of Queensland for an order that there has been oppression against them as minority shareholders and that therefore, Jumbo Corporation Limited should acquire from them their minority shareholding at a value to be determined. The application is opposed by the Company and the directors on the grounds that the conduct complained of does not properly constitute oppression, based on advice received from counsel. The directors are unable to estimate any contingent liability that may arise as a result of this matter, however the directors do not consider that this matter will have a material impact on the economic entity.

	CONSULIDATED	
	2003	2002
23. EARNINGS PER SHARE	Cents per Share	Cents per Share
The following reflects the incoming and share data used in the calculations of basic and diluted earnings per share:		
Net profit/(loss)	111,797	(592,451)
Less:		
Net profit/loss attributable to outside equity interests	(10,120)	90,437
Earnings used in calculating basic and diluted earnings per share	101,677	(502,014)
(a) Basic profit/(loss) per share	0.06 cents	(.32) cents
(b) Diluted profit/(loss) per share	0.06 cents	(.32) cents

CONSOLIBATED



# 30 JUNE 2003

# 23. EARNINGS PER SHARE (Cont'd)

- (b) Diluted profit/(loss) per share
- (c) Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share
- (d) The number of ordinary shares not used in the calculation of basic and diluted earnings per share are set out in note 16, as they are not considered dilutive.
- (e) Since 30 June 2003 the Company has issued a further 10,000,000 ordinary shares at 1.3 cents per share as a private placement raising an additional \$130,000 in new capital.

On 10 July 2002 a total of 22,941,171 options exercisable at 20 cents each, expired unexercised.

#### 24. REMUNERATION OF DIRECTORS

### a) Directors' remuneration

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the Company, directly or indirectly, from the entity or any related party:

# b) Prescribed benefits approved at general meeting

There have been no prescribed benefits given during the financial year by the parent entity or by an entity in the consolidated entity to a person or to a prescribed superannuation fund in connection with the retirement of a person from a prescribed office in relation to the entity or a subsidiary.

The number of directors of Jumbo Corporation Limited whose income (including superannuation contributions) falls within the following bands is:

		2003	2002
\$30,000	\$39,999	I	1
\$50,000	\$59,999	1	ĺ
\$80,000	\$89,999		_
\$90,000	\$99,999	1	_
\$110,000	 \$119,999	_	1

In the opinion of directors, remuneration paid to directors is considered reasonable.

CONSOLIE	ATED		RPORATION ITED
2003	2002	2003	2002
\$	\$	\$	\$
Cents per Share	Cents per Share	r	
0.06	(0.32)		
166,682,876	157,949,3	12	

181,600 200,467

181,600 200,467



30 JUNE 2003	CONSOLIDATED		JUMBO CORPORATION LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$

### 25. REMUNERATION OF EXECUTIVES

#### (including the executive director)

No executive of the consolidated entity received remuneration of \$100,000 or more during the financial year ended 30 June 2003.

In the previous financial year there was one executive officer of the consolidated entity whose remuneration was \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:

Remuneration received or due and receivable by executive officers of the company whose remuneration is \$100,000 or more, from the company or any related party, in connection with the management of the affairs of the company or any of its subsidiaries, whether as an executive officer or otherwise

The number of executives of the consolidated entity and the company whose remuneration falls within the following bands:

\$110,000	 \$119,999

In the opinion of directors, remuneration paid to executives is considered reasonable.

# 26. AUDITORS' REMUNERATION

Amounts received or due and receivable by Ernst & Young for:

- an audit or review of the financial report of the entity and any other entity in the consolidated entity
- other services in relation to the entity and any other entity in the consolidated entity

97,600	110,217		
		97,600	110,217
Number	Number	Number	Number
•	1	•	1
2003	2002	2003	2002
\$	\$	\$	\$
41,030	31,263	41,030	31,263
_	3,279	-	3,279

34,542

34,542

41,030

41,030



#### 30 JUNE 2003

#### 27. RELATED PARTY DISCLOSURES

The directors of Jumbo Corporation Limited during the financial year were:

Alan Phillips

Mike Veverka

**Earl Evans** 

The following related party transactions occurred during the financial year:

(i) Transactions with related parties in the wholly owned group.

During the financial year there were no transactions between the Company and Kringle Pty Ltd.

(ii) Transactions with related parties in the partly owned group.

During the financial year interest free loans of \$72,505 were made by the Company to Benon Technologies Pty Ltd, bringing total loans to Benon Technologies Pty Ltd to \$3,003,325.

These loans were made to assist Benon Technologies Pty Ltd to carry out its operating activities.

During the financial year Benon Technologies Pty Limited and Jumbo Corporation Limited advanced loan funds to controlled entities as set out below. The loans were made to assist the controlled entities carry out their operating activities.

3

Advanced by Benon Technologies Pty Limited

to Building Site Services (Aust) Pty Ltd	10,432	(2002 - \$43,546)
to Dealer Dan Pty Ltd	75,749	(2002 - \$113,397)
Advanced by Jumbo Corporation Limited		
to Building Site Services (Aust) Ptv Ltd	(47)	(2002 - \$36,506)

### (iii) Transactions with other related parties

There were no transactions with other related parties during the financial year.

- (iv) Transactions with the directors of Jumbo Corporation Limited and the consolidated entity
- (a) transactions with directors of the parent entity
  - Loan to director of parent entity

Benon Technologies Pty Ltd has provided an unsecured and interest free loan of \$13,359 (2002: \$29,343) and travel advances of nil (2002 - \$1,993) to Mr Veverka, a director of the Company. These amounts are payable on demand. An amount of \$17,976 was repaid during the year.

- Loans from directors

There were no loans from directors of the parent entity.

(b) transactions with directors of controlled entities.

At the date of acquisition by the parent entity of the 70% equity interest in Building Site Services (Aust) Pty Ltd there were loans totalling \$49,324 from the original vendor directors of that controlled entity. These loans remain outstanding at 30 June 2003.

During 2003 the consolidated entity received an unsecured interest free loan of \$2,000 from Mr Mills a director of Online Computing (Aust) Pty Limited and Dealer Dan.

Under the terms of the agreement to acquire Building Site Services (Aust) Pty Limited, the above loans are not repayable until that company is profitable and has sufficient funds to repay the loans.



30 JUNE 2003

#### 27. RELATED PARTY DISCLOSURES (Cont'd)

- (v) Transactions with director-related entities
- Entities of which Mr Phillips, a director, is a director and shareholder occupy a portion of the office space leased by the
  consolidated entity and pay an agreed portion of the rental on normal commercial terms and conditions on an arm's length
  basis
- 2. Entities of which Mr Phillips, a director, is a director and shareholder supplied office space and services to the consolidated entity. The office space and services were provided on normal commercial terms and conditions on an arm's length basis.
- 3. During 2003, the company completed the sale of its interest in Kringle Pty Ltd for \$150,000 to an entity in which Mr. Phillips is a director. At the time the original agreement was entered into, Mr. Phillips was not a director of the entity.
- 4. Entities of which Mr Veverka, a director, is a director and shareholder were paid licensing fees totalling \$52,800 in accordance with an agreement entered into at arm's length.

### Equity instruments of directors

#### Interest at balance date

(i) Interests in the equity instruments of Jumbo Corporation Limited held by directors of the reporting entity and their directorrelated entities at balance date, being the number of instruments held:

#### Jumbo Corporation Limited

	Ordinary Shares Fully Paid		Options over Ordinary Shares	
	2003	2002	2003	2002
Alan Phillips	2,000,000	•	•	-
Mike Veverka	77,798,572	57,678,572	u u	48,000,000
Earl Evans	3,000,000	v	•	•

## (ii) Movements in directors' equity holdings:

The following movements in directors equity holdings occurred during the year ended 30 June 2003:

	Number
Sold by Mr Mike Veverka	5,000,000
Acquired by Mr Mike Veverka pursuant to sale of shares in Editson	25,000,000
Acquired by Mr Mike Veverka pursuant to share purchase plan	120,000

Other than the above, there have been to other transactions concerning equity instruments, during the financial year with directors or their director related entities.

### (iii) Interests in other companies in the consolidated entity

Up to the close of business on 30 June 2003, 20% of the issued capital of the controlled entity, Editson Pty Ltd., was held by Vesteon Pty Ltd, a company of which Mr Veverka, a director, is a director and shareholder.

Effective from the close of business on 30 June 2003 the 20% interest was acquired by Jumbo Corporation Limited pursuant to shareholder approval obtained at an extraordinary general meeting held on 27 June 2003.



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### 28. SEGMENT INFORMATION

a) Geographical segment

The consolidated entity operates predominantly in one geographical segment, namely Australia. Purchases by customers on the Jumbomall are substantially by overseas residents but are predominantly processed through the Australian banking system.

b)	Business	Seement

unallocated assets

b) Business segments	ity's industry segmer 2003 Jumbomall Online Shopping Mall	2003 Online Retailing	2003 Provision of Services	O TI	003 nline U tabase	2003 nailocated	2003 Total Revenues
	\$	ŝ	s		\$	\$	S
Revenues							
Sales to customers outside							
The consolidated entity	1,872,234	539,334	97,139 -	32,	495	212,285	2,541,202 212,285
Other revenues							
	1,872,234	539,334	97,139	32	495	212,285	2,753,487
Results Segment results	239,726	(58,190)	63,695	(22.	.323)	(111,111)	111,797
	2002 Jumbomall Online Shopping Mall	2002 Online Retailing	2002 Provision of Services	o TI	002 nline U tabase	2002 nailocated	2002 Total Revenues
Revenues	\$ S	S	s		\$	\$	S
Sales to customers outside							
The consolidated entity	763,103	808,331	78,144	94	0,313	-	1,739,891
Other revenues		-	-		-	76,627	76,627
	763,103	808,331	78,144	. 91	0,313	76,627	1,816,518
Results							
Segment results	28,565	(112,574)	36,046	(19:	5,552)	(348,936)	(592,451)
	2003	2003	2003	2003	2003	2003	2003
Business segments	Jumbomali Online Shopping	On-line Retailing	Provision of IT Services	On-line Database	Unallocates	l Eliminations	Total Asset
	Mali S	s	S	s	\$	s	s
Assets							
Segment assets	1,244.828	167,076	-	1,427	160	-512,030	901,461

The unaffocated assets are predominantly cash at bank, goodwill and investments held by the parent company and are not attributable to a business segment.

1,427

	2002 Jumbomali Online Shopping Mali	2002 On-line Retailing	2002 Provision of IT Services	2002 On-line Database	2002 Unallocated	2002 Eliminations	2002 Total Assets
	\$	s	ŝ	s	\$	s	s
Assets							
Segment assets	736,400	71,389	-	10,466	176	-227,619	590,812
anallocated assets	-	-	-	-	-	355,936	355,936
	736,400	71,389	-	10,466	176	128,317	946,748

The unaffocated assets are predominantly cash at bank held by the parent company and are not attributable to a business segment.

167,076

1,244,828



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# 28. SEGMENT INFORMATION (Cont'd)

	2003	2003	2003	2003	2003	2003
	Jumbomall Online Shopping	On-line Retailing	Provision of IT Services	On-line Database	Eliminations	Total Liabilities
	Mail S	s	s	s	s	s
Liabilities Segment Liabilities Unaffocated liabilities	3,978,639	384,222	-	215,549	-3,464,214 42,542	1,114,196 42,542
	3,978,639	384,222	-	215,549	-3,421,672	1,156,738

The unaffocated Babilities are predominantly the Babilities of the parent company and are not attributable to a business segment.

	2002	2002	2002	2002	2002	2002
	Jumbomall Online Shopping Mail	On-line Retailing	Provision of IT Services	On-line Database	Elímiastions	Total Liabilities
Liabilities	S	S	s	s	s	s
Segment Liabilities Unaffocated liabilities	3,679,499	188,231	-	202,265	-3,182,769 100,558	887,226 100,558
	3,679.499	188.231	-	202,265	-3,082,211	987,784

The unallocated liabilities are predominantly the liabilities of the parent company and are not attributable to a business segment.

Other segment information as at 30 June 2003	2003	2003	2003	2003	2003	2003
	Jumbomall Online Shopping Mall	On-line Retailing	Provision of IT Services	On-line Database	Eliminations	Total
	S	S	S	S	S	s
Depreciation	14,520	1,917	-	1,080	-	17,517
Amortization	1,841	-	-		-	1,841
Other non-cash expenses	9,560	-	-	6,303		15,863
Details of other non-cash expense						
annual leave provision	9,560	-	-	-	-	9,560
provision for doubtful debts preliminary expenses written off	-	-	-	6,303	-	6,303
, ,	9,560	-	-	6,303	-	15,863
Other segment information as at 30 June 2002	2002	2002	2002	2002	2002	2002
	Jumbomall Online Shopping Mall	On-line Retailing	Provision of IT Services	On-line Database	Elíminations	Total
	S	S	S	S	s	S
Acquisition of goodwill	-	12.000	-		<u>-</u>	12,000
Depreciation	10,007	42	-	869	-	10,918
Amortisation	17,962	•	-	62,416	-	80,378
Other non-cash expenses	6104	16,843	-	12,359	-	35,306
Details of other non-cash expense						
annual leave provision	6,104	-	-	1,641	-	7,745
provision for doubtful debts	-	16,316	-	10,718	-	27,034
inventory write down	_	527	-	-	-	527
	6.104	16.843	_	12,359		35,306



30 JUNE 2003

# 29. FINANCIAL INSTRUMENTS

### (a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

		4000					
	Floating Interest	Fixed Int  1 year or  less	Over 1 to 5 years	Maturing More than 5 years	Non interest	Total carrying amount as per	Weighted average effective interest
	Rate S	\$	s	Š	bearing \$	balance sheet \$	rate %
30 June 2003	g.	3	s.P	.,	.p	.p	70
(i) Financial assets							
Cash	865,083	·	·	_		865,083	4.5
Trade receivables	•	· ·	U		77,930	77,930	
Sundry debtors	-	,	,	_	193,091	193,091	
Term deposits	54,056		,	_	_	54,056	4.5
Receivables							
- director related	•	J		_	13,359	13,359	
Listed shares	u u		,	-		-	
Total Financial Assets	919,139	,	,	_	284,380	1,203,519	
					•		
		Fixed Int	erest Rate	Maturing	<u> </u>		
	Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non interest bearing	Total carrying amount as per balance sheet	Weighted average effective interest rate
	Interest	1 year or	Over 1 to 5	More than	interest	Total carrying amount as per	effective interest
30 June 2002	Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	interest bearing	Total carrying amount as per balance sheet	effective interest rate
(i) Financial assets	Interest Rate S	1 year or less	Over 1 to 5 years	More than 5 years	interest bearing	Total carrying amount as per balance sheet \$	effective interest rate %
(i) Financial assets Cash	Interest Rate \$ 758,670	1 year or less	Over 1 to 5 years	More than 5 years	interest bearing \$	Total carrying amount as per balance sheet \$ 758,670	effective interest rate %
(i) Financial assets Cash Trade receivables	Interest Rate S	1 year or less	Over 1 to 5 years	More than 5 years	interest bearing \$ 23,321	Total carrying amount as per balance sheet \$ 758,670 23,321	effective interest rate %
(i) Financial assets Cash Trade receivables Sundry debtors	Interest Rate S 758,670	1 year or less	Over 1 to 5 years	More than 5 years	interest bearing \$	Total carrying amount as per balance sheet \$ 758,670 23,321 18,370	effective interest rate % 4.5
(i) Financial assets  Cash  Trade receivables  Sundry debtors  Term deposit	Interest Rate S	1 year or less	Over 1 to 5 years	More than 5 years	interest bearing \$ 23,321	Total carrying amount as per balance sheet \$ 758,670 23,321	effective interest rate % 4.5
(i) Financial assets Cash Trade receivables Sundry debtors	Interest Rate S 758,670	1 year or less	Over 1 to 5 years	More than 5 years	interest bearing \$ 23,321 18,370	Total carrying amount as per balance sheet \$ 758,670 23,321 18,370	effective interest rate % 4.5
(i) Financial assets Cash Trade receivables Sundry debtors Term deposit Receivables - director related	Interest Rate S 758,670	1 year or less	Over 1 to 5 years	More than 5 years	interest bearing \$ 23,321 18,370	Total carrying amount as per balance sheet \$ 758,670 23,321 18,370	effective interest rate % 4.5
(i) Financial assets Cash Trade receivables Sundry debtors Term deposit Receivables	Interest Rate S 758,670	1 year or less	Over 1 to 5 years	More than 5 years	interest bearing \$ 23,321 18,370	Total carrying amount as per balance sheet \$ 758,670 23,321 18,370 51,701	effective interest rate % 4.5 4.6



# 30 JUNE 2003

# 30. FINANCIAL INSTRUMENTS (Cont'd)

		Fixed Int	erest Rate	Maturing			
	Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non interest bearing	Total carrying amount as per balance sheet	Weighted average effective interest rate
	\$	\$	\$	\$	\$	\$	%₀
30 June 2003							
(ii) Financial liabilities							
a) current							
Trade creditors	•	J	J	-	991,683	991,683	
Other creditors	· ·	,	,	-	45,321	45,321	
Finance lease liability	•	U	v	-	-	-	
Bank loans	•	v	v	-	_	-	
Loan from directors of a controlled entity							
b) non-current	•	Ü	,	-	51,324	51,324	
Finance lease liability	v	·	v	-	-	-	
Total Financial Liabilities		,	Į.	-	1,088,328	1,088,328	•
		Fixed Int	erest Rate	Maturing			
	Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non interest bearing	Total carrying amount as per balance sheet	Weighted average effective interest rate
	S	\$	\$	\$	\$	\$	%
30 June 2002							
(ii) Financial liabilities							
a) current							
Trade creditors	-	-	-	-	847,168	847,168	-
Finance lease liability	-	1,173	U	-	-	1,173	16.6
Other creditors	-	-	-	-	-	-	
Bank loans	-	1,620	-	-	-	1,620	7.5
Loan from directors of a controlled entity	-	-	-	-	49,324	49,324	-
Finance lease liability	_	-	-	-	-	-	
Total Financial Liabilities	_	2,793	_	_	896,492	899,285	



30 JUNE 2003

#### 31. FINANCIAL INSTRUMENTS Cont'd

#### (b) Net Fair Values

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

All financial assets and liabilities have been recognised at the balance date at their net fair values.

#### Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and trade creditors: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity.

Long-term borrowings: The carrying amount approximates fair value because, though payable later than one year, they are short term.

#### (c) Credit risk exposures

The consolidated entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

There are no derivative financial instruments, recognised or unrecognised.

#### Concentrations of credit risk

The company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers within the specified industries. However, the majority of customers are concentrated in Australia.

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days;
- a risk assessment process is used for customers over \$50,000.

# (d) Hedging instruments

The consolidated entity has not entered into any hedging activities.

#### Unrecognised Financial Instruments

There are no unrecognised financial instruments.



# DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Jumbo Corporation Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

On behalf of the Board

Mike Veverka

Director

Dated at Brisbane this day of September 2003



# AUDITORS REPORT



I Fagle Street Brisbane QLO 4000 Australia

PO Bos 7878 Waterinov Picco Brisbary (CO) 4008 Tei 61 7 301: 3343 Fax 61 7 301: 3460 F0x 445 Brisbage

#### Independent audit report to members of Jumbo Corporation 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 Jumbo Corporation Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, 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 of the financial report in order to express an opinion on it 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*, including compliance with Accounting Standards in Australia, 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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Enablish tensed by the Acquirinana Scheme, approved under the Professional Standards Act 1994 (NSW)



# AUDITORS REPORT Cont'd

# **MERNSTRYOUNG**

#### Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

#### Audit opinion

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

- (a) the Corporations Act 2001, including:
  - giving a true and fair view of the financial position of Jumbo Corporation Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date;
     and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001;
- (h) other mandatory financial reporting requirements in Australia.

### Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. The financial report has been prepared on a going concern basis. As a result of the matters disclosed in Note I(w) of the financial report, there is significant uncertainty whether Jumbo Corporation Limited 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 and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of liabilities that might be necessary should Jumbo Corporation Limited and the consolidated entity not continue as going concerns.

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Mike Meintje

Brisbane

Date: 30 September 2003



# ASX ADDITIONAL INFORMATION

The following additional information as required under the listing rules of Australian Stock Exchange Limited is drawn up as at 29 August 2003.

### SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with Section 671B of the Corporations Law are:

No of Shares Held	% of Issued Capital

Vesteon Pty Limited 77,798,572 37.3

# NUMBER OF SHAREHOLDERS

There are 1,675 shareholders holding a total of 208,765,227 ordinary shares.

### DISTRIBUTION OF HOLDINGS

	Ordinary	/ Shares
	No of Holders	No of Units
I to 1000	126	31,781
1001 to 5000	310	1,152,263
5001 to 10,000	393	3,435,621
10,001 to 100,000	706	24,535,621
100,001 and over	140	179,609,941
	1,675	208,765,227

#### NON MARKETABLE PARCELS

1,176 shareholders hold less than a marketable parcel of shares.



# ASX ADDITIONAL INFORMATION Cont'd

# TWENTY LARGEST SHAREHOLDERS

	Name of Shareholder	Shares Held	% of Capital
É	ANZ Nominees Limited	40,853,680	19.56
2	Vesteon Pty Limited	25,000,000	11.97
3	Vesteon Pty Limited	22,848,572	10.94
4	Vesteon Pty Limited	20,000,000	9.58
5	Vesteon Pty Limited	9,950,000	4.76
6	Berpaid Pty Limited	3,076,923	1.47
7	Mrs. K.A. Evans	3,000,000	1.43
8	Clavell Holdings Pty Limited	2,461,538	1.18
9	Warawong Pty Limited	2,302,772	1.10
10	Mr X.R. Bergade	2,000,000	0.96
11	Equitas Nominees Pty Limited	2,000,000	0.96
12	Phillips Exploration Pty Limited	2,000,000	0.96
13	Super 1136 Pty Limited	2,000,000	0.96
14	Roscious Pty Limited	1,800,000	0.86
15	Mr. J. Georgiages	1,538,462	0.74
16	Mr. B.B. Bradford and Mrs. P.E. Bradford	1,300,000	0.62
17	Gronin Pty Limited	1,250,000	0.60
18	Mr. J. Sutton	1,071,428	0.51
19	Mr. N.D. Rogers and Mrs. A. Rogers	1,021,219	0.49
20	Ms.B.A. Stevens and Mr. A.J. Stevens	1,000,000	0.48

146,474,594

The top 20 shareholders hold 70.2% of the Company's issued ordinary shares.



# ASX ADDITIONAL INFORMATION Cont'd

### COMPANY SECRETARY

Bruce David Burrell FCPA, MBA

# REGISTERED OFFICE AND PRINCIPAL ADMINISTRATION OFFICE

Level 8 Riverside Centre 123 Eagle Street Brisbane QLD 4000

Telephone: (07) 3831 3705 Facsimile: (07) 3831 9720

# SHARE REGISTRY

ComputerShare Investor Services Pty Ltd Level 27 Central Plaza I 345 Queen Street Brisbane QLD 4000

Telephone: (07) 3237 2173 Facsimile: (07) 3229 9860

# STOCK EXCHANGE QUOTATION

The Company's shares are traded on the following stock exchanges:

Australian Stock Exchange Berlin, Stuttgart and Munich Stock Exchanges

# RESTRICTED SECURITIES

There are 25,000,000 shares on issue which are subject to a voluntary restriction, expiring on 1 July 2004.

# ON-MARKET BUY-BACK

There is no current on-market buy-back.



# ASX ADDITIONAL INFORMATION Cont'd

# HOLDERS OF UNQUOTED SEC URITIES

(i) The Company has 25,000,000 shares and 6,500,000 options on issue which are not quoted on ASX.

Ordinary shares: The 25,000,000 unquoted ordinary shares are subject to a voluntary restriction expiring on 1 July 2004. The holder of the 25,000,000 shares is Vesteon Pty Limited

Options: The 6,500,000 unquoted options are exercisable at 5 cents each on or before 5 June 2006. The options have been issued under the Company's Employee Share Option Plan.



# CORPORATE GOVERNANCE STATEMENT

The board of directors of Jumbo Corporation Limited is responsible for the corporate governance of the consolidated entity. The board guides and monitors the business and affairs of Jumbo Corporation Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board.

#### Composition of the Board

The composition of the board is determined in accordance with the following principles and guidelines:

- the board should comprise at least three directors and should maintain a majority of non-executive directors;
- · the chairman must be a non-executive director;
- the board should comprise directors with an appropriate range of qualifications and expertise; and
- the board shall meet at least monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement are:

#### Name Position

Alan Phillips Chairman, Non-Executive

Mike Veverka Chief Executive Office and Director

Earl Evans Non executive director

#### Nomination Committee

The board has established a nomination committee, which meets at least annually, to ensure that the board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The nomination committee comprises two non-executive directors and an independent consultant who is not a director of the company. The nomination committee comprised the following members at 30 June 2002.

Mr Alan Phillips (Chairman)

Mr Mike Veverka

Mr Earl Evans

### Remuneration Committee

The board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The board has established a remuneration committee, comprising two non-executive directors. Members of the remuneration committee at 30 June 2002 were:

Mr Earl Evans (Chairman)

Mr Alan Phillips

# Audit Committee

The board has established an audit committee, which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors.



The members of the audit committee at 30 June 2002 were:

Mr Alan Phillips (Chairman)

Mr Earl Evans

The audit committee is also responsible for:

- · directing and monitoring the internal audit function; and
- nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

#### **Board Responsibilities**

As the board acts on behalf of and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by the board to the chief executive officer and the executive team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the chief executive and the executive team.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committees referred to above, these mechanisms include the following:

- board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- the strategic plan is a dynamic document and the board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- implementation of operating plans and budgets by management and board monitoring of progress against budget this
  includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant
  business processes;
- · establishment of committees to report on environmental issues and concerns, and occupational health and safety;
- procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense;

# Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the chairman. Directors whose performance is unsatisfactory are asked to retire.

The board of directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- · the annual report which is distributed to all shareholders;
- the half-yearly report which is lodged with ASX and ASIC and dispatched, on request, to shareholders.
- the annual general meeting and other meetings so called to obtain approval for board action as appropriate.
- · the quarterly cash movement Appendix 4C lodged with ASX.