

Snowball Group Limited

(formerly Fleet Capital Limited)

ABN 81 006 490 259

2002

Annual Report



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Chairman's Letter

Dear Shareholder,

It is a pleasure to present my first Chairman's report to shareholders of Snowball Group Limited as an ASX-listed company.

The financial year 2001/02 saw very significant changes in the business operations of the company, and a related change of name from Fleet Capital Limited to Snowball Group Limited, all of which occurred against the background of dramatic financial market turbulence and disruption. At year's end the company was well-established as an innovative financial planning/accounting and masterfund business with over 8,000 clients and nearly \$500 million in client funds under advice and administration. This was the culmination of a number of important steps taken by the present Board and its predecessor over the past year.

In the early part of 2001/02, the then Board closed the online broking service and sold funds management assets that Fleet Capital Limited was not in a position to exploit effectively. The Board decided that it would be in shareholders' interests to deploy the sale proceeds by investing in a new direction for the company, which would have attractive growth prospects.

As a result, Fleet moved to acquire the Snowball financial services business for scrip and that transaction was approved by shareholders in late December 2001. The company then adopted the Snowball name and the current directors took office. It is appropriate to record here the company's appreciation for the work done by the previous Board and their advisers which led to the successful completion of the merger with Snowball.

The Snowball business had been established in 1999 by a number of experienced industry executives and investors to capitalise on the trend towards more "retail" forms of distribution of superannuation and other long term savings products, using new and existing distribution channels and Internet service delivery where appropriate. Snowball combines advice delivery with portfolio implementation via leading edge product platforms, serving people in the accumulation stage of their lives, as well as retirees and affluent investors. Affinity group distribution, including workplace marketing, is a major focus. Prior to the Fleet transaction, Snowball had already acquired CIS Financial Services Pty Ltd, a high-quality financial planning practice based in Melbourne but servicing national clients, together with its associated accounting practice, Campbell Wallis Moule & Co Pty Ltd. Snowball also had a good deal of its proposed product and technology platform in place. Another financial planning firm, Commonsense Concepts in Melbourne's south-eastern suburbs, was acquired in late December 2001.

The Board is now implementing a strategy that has three phases.

The first step was the recent "re-launch" of the company following the Snowball transaction. It is unfortunate that stock market conditions have been less than supportive in recent times. Nevertheless, this phase of the strategy has been completed, with a \$2 million prospectus issue preceding re-quotation on the Australian Stock Exchange on 10 May 2002.

Phase two of the strategy, now underway, is to ensure that the path to positive cashflow, through growth of the existing business and careful management of costs, is clear. The objective is that Snowball will reach cashflow breakeven in the later months of 2002/3. That strategy is now well-advanced.

Phase three is to generate "critical mass" by making acquisitions that will add to profitability and strengthen national operating capability. We had intended to acquire a NSW accounting and financial planning business, ITS Limited, soon after our re-listing but, after extensive due diligence work, we chose not to proceed with that transaction. ITS was subsequently broken up but its component businesses were not available on terms we considered appropriate. A number of alternative opportunities are currently being pursued. Any acquisitions we make would stand beside the successful financial planning and accounting businesses already within the group.

The year 2001/02 was a period of merger and re-organisation, and it is therefore somewhat difficult to extrapolate from the current financial statements to subsequent years. The final outcome for the year is a mix of Fleet results for the period to 21 December 2001 and the merged entity thereafter. Significant cost reduction measures took effect late in the year which will have their main impact in the coming year. There was also a significant acceleration in the amortisation of goodwill on acquisition.

Notwithstanding the disruptive effect of the events of the past year on trading conditions, the market for the company's products and services remains fundamentally attractive. The oldest "baby-boomers" are only now aged 56 and are coming to the peak of their savings accumulation and usage of advisory services. The youngest members of this large demographic group are only around 40 years of age and entering the asset accumulation stage of life where financial services of the kind we provide become increasingly important. Community expectations and mooted legislation are opening up these client groups to competition in superannuation. While there has been much recent focus on major banks buying wealth management businesses, there are opportunities for smaller, innovative players in the sector to win business in a strongly growing market where consumer needs and expectations are changing.

In the coming year we intend to pursue phases two and three of our strategy strongly, with a view to ensuring that, by year's end, we have a solid business platform for further growth, with a critical mass of operations and national operating capability. As part of that strategy, we also aim to have cemented a position as a technology leader in both on-line superannuation and tools for consumers to understand and plan their long-term savings.

Finally, on behalf of the Board, I commend our management and staff who have done an outstanding job in a challenging environment over the past year, to bring the business to this point in its development. We look forward to their support in the successful implementation of phases two and three of our strategy over the coming year.

We believe Snowball will be able to offer investors an attractive opportunity for exposure to the high-growth, long-term savings sector of the financial services market.

Philip Kelly

Chairman

SNOWBALL GROUP LIMITED



As mentioned in the Chairman's Letter, the financial year 2001/02 saw significant changes in the company's business operations. During the latter part of 2001, the company (then known as Fleet Capital Limited) completed its acquisition of the Snowball business. This review deals with the activities of the Snowball business during 2001/02 and the achievements, challenges and priorities going forward. Events within Fleet, prior to the acquisition of Snowball, are touched on in the Chairman's Letter and were addressed by previous Fleet reports to shareholders.

Managing Director's Review

Building the foundations for growth

On 10 May 2002 the company, by then renamed "Snowball Group Limited", raised just over \$2 million in additional share capital under a prospectus issue and was quoted on the ASX. Soon afterwards the company completed development of the first major release of its innovative on-line financial planning tools, with financial assistance from the Commonwealth Government's AusIndustry Research and Development Core START Grant. Our product range now includes a superannuation master trust, a "wrap account" for non-superannuation investments and an allocated pension, all of which allow customers to choose from a range of managed investments. We have developed our own branded products to service clients efficiently and to maximise group margins. Customers can access their accounts via the Internet, where they can see their account balances, manage their accounts and use the on-line financial planning tools. In addition to these products, Snowball offers comprehensive advice in the areas of financial planning, insurance, debt management, accounting and taxation, as well as self-managed superannuation funds.

In financial planning, we have developed a "tiered" model, with three "levels" of service and pricing (from traditional full-service to innovative "self-service" via the Internet). We are able to deal with clients in a way that makes sense to them and is cost-effective for both clients and the company. The result is that our financial planners have high productivity levels by industry standards.

By the end of the financial year, the company had achieved its objective of being positioned as a listed provider of integrated financial advice, long-term savings products (including superannuation) and accounting services to Australian households and corporations.

This milestone marked the completion of phase one of the company's three-part strategy to become a significant and profitable participant in the high growth superannuation, investment and financial advice market. It was achieved against a backdrop of extreme uncertainty and volatility in financial markets due, in part, to the events of 11 September 2001, a weakening outlook for the global economy and waning consumer confidence.

The company is currently pursuing the second and third phases of its strategy, which are to reach cash-flow break even by June 2003, and to acquire suitable businesses that can provide positive cash flow and increase operating capability and geographic coverage.

The Path to Cash Flow Break Even

With the completion of phase one of its strategic plan, management's current operational focus is to realise the benefits of the significant investment Snowball has made in product and market development over the last 2 years by converting prospects into sales and reducing the level of development spending. In this regard, the company made various announcements in July, August and September 2002, concerning new business contracts to provide financial planning and superannuation services to corporations. Further, in light of the prevailing market conditions, management has undertaken various initiatives intended to reduce costs without harming Snowball's market position nor its ability to grow.

Our profitable financial planning business, CIS Financial Services (CIS), was strengthened this year by the acquisition of Commonsense Concepts, which delivered a further \$36 million in funds under advice, as well as expanding the company's servicing capability. During the last financial year, new reporting and sales management systems were introduced into the financial planning business, and these are expected to improve adviser productivity, "call rates" and sales conversion levels.

Revenue from Campbell Wallis Moule & Co (CWM), the company's accounting and self managed superannuation business, improved by 19% compared to the 2000-01 year. This was due to increased charge-out rates and growth in corporate clients.

Substantial progress has been made in developing distribution channels for Snowball branded products. During the year, we entered into contractual arrangements with over 16 affinity groups, including a number of national professional or trade associations, as well as continuing to develop our established intermediary channel through CIS, CWM and other selected financial planners and accounting practices.

The company's funds under advice and administration grew by over 13% during the last financial year, to almost \$500 million, and will increase further following the recent successful tender for a \$30 million corporate superannuation outsourcing contract, and the continued growth of the financial planning business. This has been achieved despite the material sell-off in global equity markets during the course of the past year.

With over 8,000 financial planning, master trust, wrap account and accounting clients, our core products and expanding distribution capability, the company is well poised to pursue its objective of sustainable monthly positive cash flow by 30 June 2003.

The company's operating result for the 2001/02 financial year reflects the significant development expenditure in completing the first phase of our strategic plan. The overall position was a net loss from ordinary activities of \$6.158 million. The main components of this result were:

- A profit of \$0.279 million on the company's activities prior to its acquisition of Snowball, which included the proceeds from the disposal of the boutique funds management business and on-line broking assets.
- An operating profit of \$0.107 million from CWM and \$0.286 million from CIS (covering the period from December to June following the acquisition by Fleet of the Snowball business).
- An operating loss at group level of \$2.985 million attributable largely to the establishment of a national corporate structure, the investment in product and market development, and transaction costs associated with acquisitions.
- Amortisation and write-off of goodwill amounting to \$3.845 million.

Acquisitions

The third component of the company's strategic plan is to accelerate cash flow break even,

round out our national operating capability and achieve economies of scale by way of acquisition. Snowball has, to date, successfully acquired and integrated the CIS, CWM and CommonSense Concepts businesses. The Board believes that further acquisitions are a strategic priority for the company and over the next 6 to 9 months the Board and management will be focussed on acquiring businesses that, in accordance with our stated acquisition policy, provide increased operating capability and distribution, positive cash flow and greater access to key market segments.

Additionally, scale is becoming increasingly important in a competitive landscape. The Board is constantly assessing opportunities in this area of acquisitions, mergers or strategic alliances and believes that opportunities will emerge, particularly once we have achieved positive cash flow and national operating capability, to further increase the scale of our operations through acquisitions, mergers or strategic alliances that leverage our business model by expanding distribution, products or administration capability.

We would like to thank shareholders and all our customers for their support during a very tough market in 2001/02. I would also like to personally thank all our staff and consultants for their commitment and dedication during this intensive period of building a growth oriented business.



Tony McDonald
Managing Director



Directors and Senior Management



Philip H Kelly,

BA (Hons), MBA
Chairman and Member of the
Remuneration Committee

Mr Kelly has held senior roles in the financial services industry for over 20 years, covering large-scale funds management and portfolio administration, venture capital and technology development.

As a General Manager with SEALCORP Holdings Limited, Mr Kelly guided the development of adviserNET, their on-line service. He also played a leading role in several working parties guiding the take-up of on-line financial services.

Mr Kelly has held directorships in several public and private companies and has been a member of the Industry Research and Development Board.



Anthony B McDonald,

BComm, LLB
Managing Director and Chairman, Management Committee

Mr McDonald started his career as a commercial lawyer, working with two of the major international law firms in Australia, London and New York.

Mr McDonald joined the financial services industry as a General Manager for Pacific Mutual Australia Limited. During this period he was also a Director of the Investment Funds Association and the Chairman of its Electronic Commerce Sub-Committee.

In 1996 he joined Jardine Fleming Holdings Limited in Hong Kong and returned to Australia in 1999 as a Director of Spencer Stuart, the global executive search firm.

Maxwell N Campbell,

C PA, FPS



Executive Director

Mr Campbell is a senior financial planner and Proper Authority holder with the Company's wholly owned subsidiary, CIS Financial Services Pty Limited. He has over 30 years experience in the financial services industry.

Mr Campbell commenced his career as an accountant with Esso and Containers Limited. He started his own public accounting practice in 1977 and joined the financial planning industry in 1989 when he started CIS Financial Services.

Thomas J Elliott,

BComm, BA

Non-Executive Director and
Member of the Remuneration Committee



Mr Elliott is currently Managing Director of the Melbourne-based investment firm MM&E Capital Pty Limited.

Mr Elliott has also been an Executive Director of the investment bank Flinders Capital Ltd, which specialised in private equity investments. Prior to this, he was an investment manager at another private investment Company and, before that, a strategic planning executive at Country Road Australia Ltd. He has also had extensive experience in stockbroking and merchant banking with McIntosh Securities and Wood Gundy Inc (Toronto).

Michael J O'Riordan,

BComm

Non-Executive Director and Member of the Audit and
Remuneration Committees



Mr O'Riordan has over 35 years investment experience in the superannuation and investment industry. Having been the Chief Investment Officer of State Superannuation Board of NSW for 10 years, Mr O'Riordan has also held the positions of Executive Director and the Chief Investment Officer of Credit Suisse Asset Management (Australia), and was responsible for establishing their operation in Australia.

Between 1991 and 1996 he was an Executive Director of one of the country's leading and most successful asset consulting firms, John Nolan & Associates. Mr O'Riordan has also been involved in the establishment of two of the country's leading industry superannuation schemes.

Quentin B Jones,

BA, LLB

Non-Executive Director and Chairman of the



Audit Committee

Mr Jones has been working in the Australian venture capital industry since 1994, when he joined the private equity investment division of AIDC Ltd.

Mr Jones has also worked as a lawyer in the insolvency and corporate divisions of Deacons Graham & James and as an investment executive with the Australasian Media & Communications Fund.

He is an Executive Director of Equity Partners Management Pty Ltd, a leading Australian venture capital fund. In addition to Snowball, Mr Jones represents Equity Partners as a Director on the boards of Red Sheriff Limited and a number of other companies in which Equity Partners have an interest.

John A Moule,

F CPA, ACIS

Alternate Director for M N Campbell



Mr Moule is a principal of Campbell Wallis Moule & Co Pty Limited (CWM). He has over 30 years experience in the financial services industry.

Mr Moule commenced his career in Sydney in banking then moved into accounting with Containers Limited. He moved to Melbourne in 1974 as Company Treasurer for Containers, then progressed into factory management and was subsequently appointed a General Manager in Non Metals for Containers.

In 1983, he entered into a partnership to form the accounting practice CWM. Mr Moule is a Fellow Certified Practising Accountant.

Corporate Governance Statement

The Directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance these sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed. The Board draws on relevant corporate governance best practice principles to assist it to contribute to the performance of the Group.

Day to day management of the Group's affairs and implementation of corporate strategy and policy initiatives are delegated by the Board to the Managing Director and senior executives.

A description of the Group's main corporate governance practices, adopted by the Group on 15 February 2002, is set out below.

The Board of Directors

The Board is responsible for the overall corporate governance of the Group including its strategic direction, establishing goals for management and monitoring the achievement of these goals. To assist in the execution of its responsibilities, the Board has established an Audit Committee and a Remuneration Committee.

The primary responsibilities of the Board include:

- establishing the criteria for Board membership and reviewing the composition of the Board;
- the establishment of the long term goals of the Group and strategic and business plans to achieve those goals;
- overseeing and monitoring organisational and financial performance and the implementation of the Group's strategic and business plans;
- appointment of, and assessment of the performance of, the Managing Director and the members of the senior management team;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- ensuring that the significant risks facing the Group have been identified, and that the Group has implemented adequate systems of internal controls and appropriate monitoring of compliance activities;
- approval of the Company's annual and half-year financial reports;
- enhancing and protecting the reputation of the organisation; and
- reporting to shareholders.

Composition of the Board

The Board's aim is to have a Board with an appropriate mix of Executive and Non-Executive Directors, as well as an appropriate mix of relevant expertise and experience.

It is the Board's policy to consider the appointment and retirement of Non-Executive Directors on a case by case basis. In doing so, the Board will take into account the requirements of the Australian Stock Exchange ("ASX") Listing Rules and the Corporations Act 2001.

Currently all Directors other than the Managing Director are required to be re-elected by shareholders at least every three years and at least one-third of such Directors must retire at each annual general meeting.

Board meetings

Each Director must declare any potential conflict of interest in relation to any matter to be considered by the Board, and must not participate in discussions or resolutions pertaining to any matter in which that Director has a material personal interest.

Risk assessment and management

The Board is responsible for identifying and monitoring areas of significant business risks. Internal control measures adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Group's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

The Board will ensure that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Group has an appropriate internal control environment in place to manage the key risks identified.

Continuous disclosure

As a Company listed on the ASX, the Company is a disclosing entity under the Corporations Act 2001. As such, it has regular reporting and disclosure obligations to the ASX. In particular, the Company is required to disclose to the ASX information of which it is, or becomes, aware which concerns the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company, unless certain exceptions apply. The Board has adopted a continuous disclosure compliance program.

Remuneration committee

The remuneration committee, established on 15 February 2002, consists of the following Directors:

P H Kelly

M J O'Riordan

T J Elliott

The remuneration committee advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed by the committee having regard to performance, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages may include superannuation, retirement and termination entitlements, performance-related entitlements, fringe benefits and shares and options issued to employees.

Remuneration packages are set at levels that are intended to attract and retain first class executives capable of managing the consolidated entity's diverse operations and achieving the Group's strategic objectives.

Remuneration and other terms of employment for the Managing Director and certain other senior executives are formalised in service agreements.

Remuneration of Non-Executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

The remuneration committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.

Further information on directors' and executives' remuneration is set out in the Directors' report and notes 23 and 24 to the financial statements.

The committee also assumes responsibility for management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

Audit committee

The audit committee, established on 15 February 2002, consists of the following Directors and officers of the Company:

Q B Jones

M J O'Riordan

C F Scarcella

The main responsibilities of the audit committee are to:

- review and report to the board on the annual full and concise reports, the half-year financial report and all other financial information published by the Company or released to the market;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
 - effectiveness and efficiency of operations;
 - reliability of financial reporting;
 - compliance with applicable laws and regulations;
- oversee the effective operation of the risk management framework;
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditor's independence; and
- review the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence.

In fulfilling its responsibilities, the audit committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year - more frequently if necessary, and reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved. The external auditors have a clear line of direct communication at any time to either the Chairman of the audit committee or the Chairman of the Board.

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

The audit committee generally invites the Managing Director and the external auditors to attend audit committee meetings.

Independent Professional Advice

In fulfilling their duties, each Director and each committee of the Board dealing with corporate governance matters may obtain independent professional advice at the Group's expense, subject to prior written approval of the Chairman of the Company.

Ethical Standards

The Board endeavours to ensure that the directors, officers and employees of the Group act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. Specifically, the directors, officers and employees are expected to:

- comply with applicable laws;
- act in the best interests of the Group;
- be responsible and accountable for their actions; and
- observe ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

Directors Report

Your Directors present their report on the consolidated entity consisting of Snowball Group Limited and the entities it controlled (the Group) at the end of, or during, the year ended 30 June 2002.

Directors

Details of each Director's qualifications, experience and special responsibilities are included on pages 8 to 10 of this Annual Report.

The following persons were appointed as Directors on 21 December 2001 and continue in office at the date of this report:

P H Kelly
T J Elliott
A B McDonald

M N Campbell
Q B Jones

M J O'Riordan was appointed a Director on 31 January 2002 and continues in office at the date of this report.

M A Osborne was a Director from the beginning of the financial year until her resignation on 26 October 2001. C F Plumridge, W J Koeck and A I Baum were Directors from the beginning of the financial year until their resignation on 21 December 2001. J A Moule was appointed as alternate Director for M N Campbell on 24 May 2002.

Principal activities

At the commencement of the financial year the Group's principal activities were boutique funds management and on-line broking, which ceased following their disposal in October 2001 and December 2001 respectively. In December 2001, Snowball Group Limited (the Company), then known as Fleet Capital Limited, acquired the Snowball business, and since that time the principal continuing activities of the Group consisted of the provision of financial planning, portfolio administration and accountancy services.

Dividends - Snowball Group Limited

No dividends were paid or recommended during the current or prior financial year.

Review of operations

A summary of consolidated revenue and results by significant industry segments is set out below:

	Segment revenues		Segment results	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Funds Management	350	386	262	(277)
Investments	1,814	136	(85)	(39)
Corporate/Stockbroking	282	284	12	(42)
On-line Broking Services	300	16	90	(2,524)
Financial Planning/Portfolio Administration *	1,797	-	(2,699)	-
Accounting Services *	911	-	107	-
Inter-segment elimination/Unallocated	(211)	-	(3,845)	-
	<u>5,243</u>	<u>822</u>	<u>(6,158)</u>	<u>(2,882)</u>
Income tax expense			-	-
Profit/(loss) from ordinary activities after income tax		(6,158)	(2,882)	

* Period covered - 21/12/01 to 30/06/02

In September 2001, the Company decided to divest its boutique funds management business and on-line broking assets and entered into Heads of Agreement to acquire Snowball Capital

Limited (SCL), a retail financial services and accountancy business that focuses on superannuation, other long term savings and small business accountancy advice.

Upon completion of its acquisition of SCL on 21 December 2001 the Group's principal activity became the Snowball business, and accordingly the Company changed its name from "Fleet Capital Limited" to "Snowball Group Limited".

As the acquisition of SCL involved a significant change in the Group's main undertaking, trading in its shares on the ASX was suspended pending the satisfaction of certain requirements under the ASX Listing Rules. These requirements were met following the Company raising \$2,014,000 under a prospectus, and Snowball Group Limited re-listed on the ASX on 10 May 2002.

Following the acquisition of SCL and its relisting, the Company has used its cash and working capital to implement the Snowball business strategy, consistent with the business objectives set out in its prospectus. Notable achievements up to the end of the financial year included:

- the purchase of Commonsense Concepts Pty Limited, a financial planning firm in Melbourne's south-eastern suburbs;
- the sale of Fleet Stockbrokers Limited, a stockbroking firm;
- the completion of development of the Snowball Retirement Simulator, which is a significant component of the Snowball on-line financial planning tools; and
- the implementation of a program to reduce costs in the 2002/3 financial year, which was achieved in part by the completion, and some deferral, of various development activities.

The Snowball Group Limited consolidated entity now consists of Snowball Group Limited, Snowball Capital Limited, Snowball Financial Limited, CIS Financial Services Pty Ltd, Campbell Wallis Moule & Co Pty Ltd, Investorsource Pty Ltd, CIS Holdings No 1 Pty Ltd, CIS Holdings No 2 Pty Ltd, Commonsense Concepts Pty Ltd, Fleet Administration Limited, Fleet Online Limited and Pioneer Capital Holdings Pty Ltd. At balance date, the Snowball Group had over \$485 million in funds under advice.

Significant changes in the state of affairs

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

- (a) An increase in contributed equity of \$20,797,732 (from \$10,745,579 to \$31,543,311) as a result of:

	\$'000
Issue of 28,324,134 ordinary shares at prices ranging from \$0.74 to \$1.00	
- cash raised	1,782
- scrip issued for acquisitions net of acquisition costs (refer (b))	18,750
- scrip issued for acquisitions (refer (c))	225
- employee share scheme issue	41
	20,798

- (b) On 21 December 2001, Snowball Group Limited (then known as Fleet Capital Limited) acquired the share capital of Snowball Capital Limited (formerly Snowball Group Limited) and its controlled entities for purchase consideration of \$19,272,667 plus issue costs of \$522,027, which have been charged against equity.

- (c) On 24 December 2001, the Company acquired the share capital of Commonsense Concepts Pty Ltd for a total purchase consideration of \$405,000, consisting of \$225,000 in scrip and \$180,000 in cash.

Matters subsequent to the end of the financial year

Apart from reductions in operating expenses and other expenses associated with completion, and some deferral, of various development activities, no matter or circumstance has arisen since 30 June 2002 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Group has recently received approval for a modest amount of additional funding which, when added to existing facilities and the cashflows from existing operations, is expected to fund the business through to cashflow breakeven towards the end of the 2003 financial year, provided budgets are met.

The Group is also pursuing growth through acquisitions and new distribution partnerships. Generally, any acquisition is intended to accelerate cashflow breakeven.

Other likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The Group is not subject to significant environmental regulation.

Directors Shareholdings

Directors' interests in shares and options of Snowball Group Limited:

Directors	Ordinary shares	Options
Philip H Kelly	843,348	761,247
Anthony B McDonald	344,742	570,936
Maxwell N Campbell	1,468,853	-
Thomas J Elliott	42,807	-

Michael J O'Riordan	63,800	228,375
Quentin B Jones	-	-
John A Moule	794,119	-

Meetings of Directors

The number of meetings of the Group's Board of Directors attended by each Director were:

Director	Directors' Meetings		Audit Committee	
	Attended	Eligible to attend	Attended	Eligible to attend
P H Kelly	22	22		
A B McDonald	22	22		
Q B Jones	20	22	1	1
M N Campbell	20	22		
T J Elliott	19	22		
M J O'Riordan	19	19	1	1
W J Koeck	3	3		
C F Plumridge	3	3		
M A Osborne	2	2		
A I Baum	3	3		
J A Moule (Alternate for M N Campbell)	2	2		

The remuneration committee, consisting of P H Kelly, T J Elliott and M J O'Riordan, did not meet during the financial year.

Directors' and executives' emoluments

The remuneration committee advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-Executive Directors.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's operations.

Details of the nature and amount of each element of the emoluments of each Director and officer of Snowball Group Limited and the consolidated entity receiving the highest emoluments are set out in the following tables.

(From 21/12/2001 - 30/6/2002)	-	-	-	65,022	65,022
A B McDonald Managing Director (From 21/12/2001 - 30/6/2002)	111,875	-	4,208	9,693	125,776
M N Campbell (From 21/12/2001 - 30/6/2002)	68,600	-	4,208	14,692	87,500
C F Plumridge (From 1/7/2001 - 21/12/2001)	-	15,000	1,200	-	16,200
M A Osborne (From 1/7/2001 - 26/10/2001)	24,113	-	15,000	-	39,113
A I Baum (From 1/7/2001 - 21/12/2001)	21,396	5,000	1,852	-	28,248
J A Moule (Alternate for M N Campbell) (From 24/5/2002 - 30/6/2002)	7,989	-	4,000	511	12,500
Non-Executive Directors					
Name	Base salary	Directors fees	Super-annuation	Other benefits	Total
	\$	\$	\$	\$	\$
Q B Jones (From 21/12/2001 - 30/6/2002)	-	-	-	-	-
T J Elliott					

(From 21/12/2001 - 30/6/2002)	-	-	-	-	-
M J O'Riordan (From 21/12/2001 - 30/6/2002)	-	-	-	63,583	63,583
W J Koeck (From 1/7/2001 - 21/12/2001)	-	35,000	2,800	-	37,800
Other executives					
Name	Base salary	Super-annuation	Bonus	Other benefits	Total
	\$	\$	\$	\$	\$
C F Scarcella (From 21/12/2001 - 30/6/2002)	75,789	15,308	100,000	12,635	203,732
J A Moule					

(From 21/12/2001 - 24/5/2002)	39,707	20,000	-	2,793	62,500
Share options granted to Directors and the most highly remunerated of ficers					
Directors					Options granted
P H Kelly					761,247
A B McDonald					570,936

The options granted to directors are restricted to ASX escrow for a period of 24 months from the date of quotation of the Company's shares on 10 May 2002.

Other Executives of the Consolidated Entity

C F Scarcella

449,059

Shares under option

Unissued ordinary shares of Snowball Group Limited under option at the date of this report are as follows:

Date option granted	Expiry date	Exercise price of options	Number under option
07/12/99	30/06/03	\$2.22	85,000
07/12/99	19/05/05	\$3.10	100,000
21/12/01	Various expiry dates ranging from 23/12/04 to 31/05/06	\$0.29	4,062,927
21/12/01	02/11/05	\$0.87	449,059
22/04/02	22/04/07	\$1.00	782,305
12/07/02	02/11/05	\$0.87	7,688
12/07/02	Various expiry dates ranging from 23/12/04 to 31/05/06	\$0.29	69,563
			<u>5,556,542</u>

The options issued on 21 December 2001 relate to the Company's acquisition of the Snowball business, and replace the former Snowball Capital Limited options that had been granted to eligible employees and consultants of that Company during 1999 and 2000, when Snowball Capital Limited was in its "start-up" phase. The exercise prices for these options reflect the exercise price at the time Snowball Capital Limited originally granted the options.

The issue of options on 22 April 2002 was to 39 Non-Executive employees of the Company who were entitled to be granted options pursuant to the Option Plan approved at a general meeting of shareholders on 21 December 2001. The exercise price for these options is the same as the issue price for shares under the Company's prospectus dated 15 February 2002 and its Supplementary Prospectus dated 5 March 2002.

Shares issued on the exercise of options

No ordinary shares in Snowball Group Limited were issued during the year ended 30 June 2002 resulting from the exercise of options.

Insurance of officers

During the financial year the Group has paid for a Directors' and Officers' insurance policy to insure certain officers of the Company and related entities. The officers of the Group covered by

the insurance policy include the Directors, the Secretary and executive officers of the controlled entities. In accordance with normal commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Rounding of amounts

The Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers were appointed auditors in accordance with section 327 of the Corporations Act 2001 on 28 February 2002.

This report is made in accordance with a resolution of the directors.

P H Kelly
Chairman

Sydney
26 September 2002



Financial Statements

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Statements of Financial Performance

Snowball Group Limited and controlled entities
Statements of financial performance
For the year ended 30 June 2002

		Consolidated		Parent entity	
	Notes	2002 \$' 000	2001 \$' 000	2002 \$' 000	2001 \$' 000
Revenue from ordinary activities	3	5,243	822	2,044	115
Employee benefits expense		(2,727)	(1,170)	-	-
Depreciation and amortisation expense	4 (a)	(1,605)	(258)	-	-
Reduction in carrying value of goodwill	4 (b)	(3,020)	-	-	-
Reduction in carrying value of investment in controlled entities	4 (b)	-	-	(8,699)	-
Borrowing cost expense	4 (a)	(46)	-	-	-
Marketing and distribution expenses		(293)	(46)	-	-
Occupancy expense	4 (a)	(232)	-	-	-
Consultants expense		(556)	-	(2)	-
Expense from sale of controlled entities	4 (b)	(340)	-	(88)	-
Expense from sale of investments	4 (b)	(1,682)	-	(1,682)	-
Other expenses from ordinary activities		(900)	(2,230)	(120)	(3,839)
Profit/(loss) from ordinary activities before income tax expense	4	(6,158)	(2,882)	(8,547)	(3,724)
Income tax expense	5	-	-	-	-
Net Profit/(loss) from ordinary activities after income tax expense		(6,158)	(2,882)	(8,547)	(3,724)
Total revenues, expenses and valuation adjustments attributable to members of Snowball Group Limited recognised directly in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(6,158)	(2,882)	(8,547)	(3,724)
		Cents	Cents		
Basic earnings per share	33	(32.7)	(61.9)		
Diluted earnings per share	33	(32.7)	(61.9)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of Financial Position

Snowball Group Limited and controlled entities
Statements of financial position
As at 30 June 2002

		Consolidated		Parent entity	
	Notes	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current assets					
Cash assets	6	79	816	-	200
Receivables	7	957	95	-	-
Deferred tax assets	8	59	-	-	-
Other financial assets	9	-	1,682	-	1,682
Other	10	211	65	-	-
Total current assets		1,306	2,658	-	1,882
Non-current assets					
Receivables	11	-	-	4,005	600
Other financial assets	12	13	-	11,038	538
Property, plant and equipment	13	1,628	264	-	-
Intangible assets	14	16,500	-	-	-
Total non-current assets		18,141	264	15,043	1,138
Total assets		19,447	2,922	15,043	3,020
Current liabilities					
Payables	15	1,057	164	-	227
Interest bearing liabilities	16	460	-	-	-
Current tax liabilities	17	24	-	-	-
Provisions	18	394	196	-	-
Total current liabilities		1,935	360	-	227
Non-current liabilities					
Interest bearing liabilities	19	311	-	-	-
Total non-current liabilities		311	-	-	-
Total liabilities		2,246	360	-	227
Net assets		17,201	2,562	15,043	2,793
Equity					
Contributed equity	20	31,543	10,746	31,543	10,746
Retained profits/(losses)	21	(14,342)	(8,184)	(16,500)	(7,953)
Total equity	22	17,201	2,562	15,043	2,793

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of Cash Flows

Snowball Group Limited and controlled entities
Statements of cash flows
For the year ended 30 June 2002

		Consolidated		Parent entity	
Notes	2002	2001	2002	2001	
	\$'000	\$'000	\$'000	\$'000	
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)	2,586	825	11	-	
Payments to suppliers and employees (inclusive of goods and services tax)	(5,098)	(3,300)	(646)	(415)	
	(2,512)	(2,475)	(635)	(415)	
Interest received	20	116	6	43	
Borrowing costs	(35)	-	-	-	
Income taxes paid	(208)	-	-	-	
	(223)	116	6	43	
Net cash (outflow) from operating activities	31	(2,735)	(2,359)	(629)	(372)
Cash flows from investing activities					
Proceeds from sale of plant and equipment	300	20	-	-	
Proceeds from sale of investments	4(b)	1,677	7	1,677	4
Proceeds from sale of controlled entities, net of cash disposed		380	-	350	50
Payment for purchase of controlled entity, net of cash acquired	29	(1,955)	-	-	(450)
Payments for plant and equipment		(476)	(32)	-	-
Repayment of loans by/(to) related parties		-	-	-	-
Payment of loans to related parties		-	-	(3,380)	-
Net cash (outflow) from investing activities		(74)	(5)	(1,353)	(396)
Cash flows from financing activities					
Proceeds from issues of shares		1,782	90	1,782	90
Repayment of borrowings		-	-	-	(1,342)
Net cash inflow/(outflow) from financing activities		1,782	90	1,782	(1,252)
Net (decrease) in cash held		(1,027)	(2,274)	(200)	(2,020)
Cash at the beginning of the financial year		816	3,090	200	2,220
Cash at the end of the financial year	6	(211)	816	-	200
Financing arrangements	19				

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

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Notes to the Financial Statements

Note 1. Summary of significant accounting policies

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Snowball Group Limited ("Company" or "Parent Entity") as at 30 June 2002 and the results of all controlled entities for the year then ended. The Company and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

(b) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(c) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Goodwill is brought to account on the basis described in note 1(g).

(d) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

- † Management Fees, Consulting and Accounting Fees
Management fees, consulting and accounting fees are recognised as revenue when the service has been performed.
- ‡ Commission Income
Commission income is recognised when funds under administration are invested with third party fund managers.
- § Interest Income
Interest is recognised on an accruals basis.
- ¶ Sale of Non-Current Assets
The gross proceeds of non-current assets are included as revenue of the Group. The profit or loss on disposal is brought to account at the date of sale.

(e) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(f) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted using a market-determined risk-adjusted discount rate. The discount rate used was predominantly 10%.

(g) Goodwill

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis. The Directors assessed the period over which the benefits represented by the goodwill on acquisition of the businesses could reasonably be expected to be received, and considered that an amortisation period of 13 years from the date of acquisition was appropriate. Both the amortisation period and the carrying value of goodwill is reassessed at each reporting date by Directors.

(h) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land and investment properties) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant and equipment	5 - 15 years
Software	2 - 3 years
Plant and equipment under finance lease	3 - 5 years

Note 1. Summary of significant accounting policies - continued

(i) Leased non-current assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight line basis over the term of the lease, or where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Lease assets held at the reporting date are being amortised over periods ranging from 3 to 5 years.

(j) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Interest bearing liabilities

Loans and debentures are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(l) Employee entitlements

Ⓐ Wages and salaries and, annual leave

Liabilities for wages and salaries, annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

Ⓑ Long service leave

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(m) Borrowing costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and short-term and long-term borrowings.

(n) Cash

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

Note 2. Segment information

Business segments

The consolidated entity provides the following by products and service type:

- Funds Management (discontinued)
- Investments (discontinued)
- Corporate Advice and Stockbroking (discontinued)
- On-line Broking Services (discontinued)
- Financial Planning and Portfolio Administration
- Accountancy Services

Geographical segments

The consolidated entity operated in one geographical segment within Australia.

Primary Reporting - business segments

	Funds Mgt	Invest- ments	Corporate/ Stockbroking	On-line Broking Services	Financial Planning/ Portfolio Admin	Account- ancy Services	Inter- segment eliminations Unallocated	Consol
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2002								
Total segment								
Revenue	350	1,814	282	300	1,797	911	(211)	5,243
Revenue from operating activities	-	117	-	-	1,797	911	(211)	2,614
Segment result	262	(85)	12	90	(2,699) ⁱ	107	(3,845) ⁱⁱ	(6,158)
Segment Assets	-	-	-	-	2,311	636	-	2,947
Unallocated ⁱⁱ	-	-	-	-	-	-	-	16,500
Total Assets	-	-	-	-	2,311	636	-	19,447
Segment Liability	-	-	-	-	1,533	713	-	2,246
Unallocated	-	-	-	-	-	-	-	-
Total Liability	-	-	-	-	1,533	713	-	2,246
2001								
Total segment								
Revenue	386	136	284	16	-	-	-	822
Revenue from operating activities	386	136	284	16	-	-	-	822
Segment result	(277)	(39)	(42)	(2,524)	-	-	-	(2,882)
Segment Assets	230	2,034	-	658	-	-	-	2,922
Unallocated	-	-	-	-	-	-	-	-
Total Assets	230	2,034	-	658	-	-	-	2,922
Segment Liability	-	-	-	360	-	-	-	360
Unallocated	-	-	-	-	-	-	-	-
Total Liability	-	-	-	360	-	-	-	360

i Inclusive of corporate overheads

ii Relates to goodwill

i Period covered - 21/12/01 to 30/06/02

Note 2. Segment information - continued

(a) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and the revised segment reporting accounting standard, AASB 1005 Segment Reporting, which has been applied for the first time in the year ended 30 June 2002.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. Segment liabilities consist primarily of trade and other creditors, employee entitlements and provision for service warranties. Segment assets and liabilities do not include income taxes.

(b) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

Note 3. Revenue

	Notes	Consolidated		Parent entity	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from operating activities					
Fees and services		2,287	648	-	-
Management fees - portfolio administration		143	-	-	-
Other - Government Grants		184	-	-	-
		2,614	648	-	-
Revenue from outside the operating activities					
Proceeds on disposal of investments	4(b)	1,677	7	1,677	4
Proceeds on disposal of controlled entities	4(b)	632	-	350	50
Proceeds on disposal of plant and equipment		300	20	-	-
Interest		20	116	6	43
Other		-	31	11	18
		2,629	174	2,044	115
Revenue from ordinary activities					
		5,243	822	2,044	115

Note 5. Income tax

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
(a) The income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	(6,158)	(2,882)	(8,547)	(3,724)
Income tax calculated @ 30% (2001 - 34%)	(1,847)	(980)	(2,564)	(1,266)
Tax effect of permanent differences:				
Write-down of investments to recoverable amount	-	-	2,610	1,135
Reduction in carrying value of goodwill	906	-	-	-
Provision against loans to related parties	-	-	-	-
Non-deductible depreciation and amortisation	332	1,037	-	-
Non-deductible items	17	27	17	-
Benefits of tax losses of prior years recouped	-	(84)	(63)	-
Income tax adjusted for permanent differences (592)	-	-	(131)	-
Income tax benefit not recognised in the financial statements	592	-	-	131
Income tax expense	-	-	-	-
(b) No part of the future income tax benefit shown in note 8 is attributable to tax losses. The Directors estimate that the potential future income tax benefit at 30 June 2002 in respect of tax losses not brought to account is	3,326	1,118	1,079	331

This benefit for tax losses will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the losses are transferred to an eligible entity in the consolidated entity, and
- (iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Note 6. Current assets - Cash assets

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Cash at bank and on hand	49	776	-	200
Deposits at call	30	40	-	-
	<u>79</u>	<u>816</u>	<u>-</u>	<u>200</u>
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Balances as above	79	816	-	200
Less: Bank overdrafts (note 16)	(290)	-	-	-
Balances per statement of cash flows	<u>(211)</u>	<u>816</u>	<u>-</u>	<u>200</u>

Deposits at call

The deposits are bearing floating interest rates between 4% and 5% (2001: 4% and 5%).

Note 7. Current assets - Receivables

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade debtors	560	95	-	-
Less: Provision for doubtful debts	(23)	-	-	-
	<u>537</u>	<u>95</u>	<u>-</u>	<u>-</u>
Accrued Income	379	-	-	-
Other debtors	41	-	-	-
	<u>420</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>957</u>	<u>95</u>	<u>-</u>	<u>-</u>

Note 8. Current assets - Deferred tax assets

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Future income tax benefit	59	-	-	-
	<u>59</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 9. Current assets - Other financial assets

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Investment - Units in managed fund	-	1,682	-	1,682
	-	1,682	-	1,682

Note 10. Current assets - Other

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Work in progress	166	-	-	-
Less: provision for non-recovery	(17)	-	-	-
	149	-	-	-
Prepayments	62	65	-	-
	211	65	-	-

Note 11. Non-current assets - Receivables

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Loans - related entities	-	-	5,634	2,229
Less: writedown of receivables to recoverable amount	-	-	(1,629)	(1,629)
	-	-	4,005	600

Note 12. Non-current assets - Other Financial Assets

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Other (non-traded) investments				
Investment - Shares in related entities	-	2,909	21,790	2,590
Less: Provision for diminution in value *	-	(2,909)	(10,752)	(2,052)
	-	-	11,038	538
Investment - Shares in corporations listed on a prescribed exchange	13	-	-	-
	13	-	11,038	538

* The provision has been raised to bring the carrying value of the investment to

net asset backing.

Note 13. Non-current assets - Property, plant and equipment

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Plant and equipment				
Plant and equipment - at cost	1,192	921	-	-
Less: Accumulated depreciation	(679)	(657)	-	-
	513	264	-	-
Software - at cost	1,834	-	-	-
Less: Accumulated depreciation	(758)	-	-	-
	1,076	-	-	-
Plant and equipment under finance lease	135	-	-	-
Less: Accumulated amortisation	(96)	-	-	-
	39	-	-	-
Total plant and equipment	1,628	264	-	-

Reconciliations

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Plant & equipment	Software	Plant & equipment under lease	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated				
Carrying amount at 1 July 2001	264	-	-	264
Additions	141	305	-	446
Disposals	(311)	-	-	(311)
Additions through acquisitions of entity	674	1,082	57	1,813
Depreciation/amortisation expense	(255)	(311)	(18)	(584)
Carrying amount at 30 June 2002	513	1,076	39	1,628

Note 14. Non-current assets - Intangible assets

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Goodwill	20,345	-	-	-
Less: Accumulated amortisation	(825)	-	-	-
	19,520	-	-	-
Less: Reduction in carrying value	(3,020)	-	-	-
	16,500	-	-	-

The Directors have undertaken an assessment of the carrying value of goodwill by applying a number of methodologies, including discounted cashflow analysis and the valuation parameters used by an Independent Expert to value the Snowball business in November 2001, to produce a range of values that could reasonably be attributed to the goodwill arising from the Group's acquisition of Snowball Capital Limited and Commonsense Concepts Pty Limited.

The values at the upper end of the valuation range exceeded the consideration paid for the businesses. Having regard to the current economic environment and its impact on financial markets in which the Company operates, the Directors have adopted a carrying value at the lower end of the valuation range and this has resulted in a current year amortisation charge of \$3.845 million.

Note 15. Current liabilities - Payables

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Trade creditors	225	58	-	-
Other creditors	832	106	-	49
Loans - related parties	-	-	-	178
	1,057	164	-	227

Note 16. Current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Secured				
Bank overdrafts	290	-	-	-
Lease liabilities	170	-	-	-
	<u>460</u>	<u>-</u>	<u>-</u>	<u>-</u>

Details of the security relating to each of the secured liabilities and further information on the bank overdraft are set out in note 19.

Note 17. Current liabilities - Current tax liabilities

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Provision for income tax	24	-	-	-
	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 18. Current liabilities - Provisions

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Employee entitlements	394	18	-	-
Other	-	178	-	-
	<u>394</u>	<u>196</u>	<u>-</u>	<u>-</u>

Note 19. Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Secured				
Bank loans	299	-	-	-
Lease Liabilities	12	-	-	-
Total secured non-current interest bearing liabilities	311	-	-	-
Total secured liabilities				
Total secured liabilities (current and non-current) are:				
Bank overdrafts and bank loans	589	-	-	-
Lease liabilities	182	-	-	-
Total secured liabilities	771	-	-	-

The bank loans and overdraft of the parent entity and controlled entities are secured by a registered equitable mortgage over encumbered assets of the Company.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of the default.

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Financing arrangements				
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Total facilities				
Bank overdrafts	1,000	-	-	-
Bank Loans	300	-	-	-
Lease Liability	206	-	-	-
	1,506	-	-	-
Used at balance date				
Bank overdrafts	290	-	-	-
Bank Loans	299	-	-	-
Lease Liability	182	-	-	-
	771	-	-	-
Unused at balance date				
Bank overdrafts	710	-	-	-
Bank Loans	1	-	-	-
Lease Liability	24	-	-	-
	735	-	-	-
Bank loan facilities				
Total facilities				
Used at balance date	771	-	-	-
Unused at balance date	735	-	-	-
	1,506	-	-	-

The bank loan facilities are subject to the continuance of satisfactory credit ratings and may be drawn at any time in Australian dollars.

The current interest rates are 8.25% - 9% on the bank overdraft and 7.25% on the bank loans.

Note 20. Contributed equity

	Notes	Parent entity		Parent entity	
		2002	2001	2002	2001
		Shares '000	Shares '000	\$'000	\$'000
(a) Share capital					
Ordinary shares Fully paid	(c)	32,984	4,660	31,543	10,746

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue Price	\$'000
01 Jul 01	Opening balance		4,659,614	-	10,746
21 Dec 01	Ordinary share placement	29	26,044,134*		19,273
24 Dec 01	Ordinary share placement	29	225,000	\$1.00	225
18 Apr 02	Shares issued under prospectus		2,014,000	\$1.00	2,014
18 Apr 02	Employee Share Scheme Issue		41,000	\$1.00	41
					21,553
	Less: Transaction costs arising on share issue				(756)
			28,324,134		20,797
30 Jun 02	Balance		32,983,748*		31,543

* On 15 July 2002, 445,936 shares were issued as a result of a default in fulfilment of the condition of the Implementation Agreement between Snowball Group Limited and Fleet Capital Limited. This issue reduced the issue price on the share consideration to \$0.73, resulting in a nil financial effect.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

(d) Options

During the year the following options were issued to eligible employees of Snowball Group Limited and its Controlled entities:

	Qty	Exercise Price	Expiry Date
21 December 2001	4,062,927	\$0.29	Various, from 23 December 2004 to 3 October 2005
21 December 2001	449,059	\$0.87	2 November 2005
22 April 2002	848,566	\$1.00	22 April 2007

Subject to restrictions, options are available to be converted at the exercise price prior to the expiry date.

The options issued on 21 December 2001 relate to the Company's acquisition of the Snowball business, and replace the former Snowball Capital Limited options that had been granted to eligible employees and consultants of that Company during 1999 and 2000, when Snowball Capital Limited was in its "start-up" phase. The exercise prices for these options reflect the exercise price at the time Snowball Capital originally granted the options.

Note 20. Contributed equity - continued

The issue of options on 22 April 2002 was to 39 Non-Executive employees of the Group who

were entitled to be granted options pursuant to the Option Plan approved at a general meeting of shareholders on 21 December 2001. The exercise price for these options is the same as the issue price for shares under the Company's prospectus dated 15 February 2002 and its Supplementary Prospectus dated 5 March 2002.

(e) Restricted securities subject to ASX escrow

At balance date, the following were restricted securities subject to ASX escrow:

Security	Number of securities	Expiry of ASX escrow
Shares	651,929	10 May 2004
Options	1,309,759	10 May 2004

(f) Call option deeds with Equity Partners

Equity Partners Two Pty Ltd, in its capacity as trustee of the Equity Partners 2 Trust (EP) has the potential to become a major shareholder of the Company by virtue of the call option arrangements as follows:

- certain shareholders who were formerly shareholders of Snowball Capital Limited (SCL) granted Call Options to EP over shares in the Company which they received in exchange for the shares in SCL,
- certain optionholders who were formerly optionholders of SCL granted Call Options to EP over options to acquire shares in the Company which they received in exchange for their options in SCL.

The Call Options will only take effect and be exercisable to the extent that those shares and options are no longer subject to a restriction agreement as required by ASX. Each Call Option expires on 1 July 2004, is personal to EP and is not transferable.

EP's rights to exercise the Call Options arise in certain situations where EP's investment objectives are deemed not to have been met, having regard to the price of the Company's Shares and to the Company's other circumstances. Specifically, the Call Options are exercisable if:

- the Company's Shares are subsequently suspended from trading on ASX for a continuous period of 12 months,
- the Company is removed from the official list of ASX,
- an insolvency event occurs in respect of the Company eg. a winding up order is made,
- EP sells some or all of its Shares in the period from 1 June 2004 to 30 June 2004, and does not receive an agreed return on its investment as a result of such sale.

In summary, EP holds 14% of the issued Shares in the Company. If no further issues of securities are made by the Company, EP does not sell any Consideration Shares, and EP becomes entitled to exercise, and fully exercises, all Call Options:

- EP could receive further shares, increasing its holding to approximately 76% of the issued Shares in the Company.
- If EP also exercises all options received, EP could further increase its shareholding to approximately 78% of the issued shares in the Company.

This illustrates the maximum potential increase in EP's shareholding in the Company as a result of the Call Options. However, the number of shares and options subject to the Call Options reduces progressively over the period to 30 June 2004 and may be further reduced if EP sells any shares in the Company prior to 1 June 2004.

Note 21. Retained profits/(losses)

	Consolidated		Parent entity	
Notes	2002	2001	2002	2001

	\$' 000	\$' 000	\$' 000	\$' 000
(a) Retained profits/(losses)				
Retained profits/(losses) at the beginning of the financial year	(8,184)	(5,302)	(7,953)	(4,229)
Net profit/(loss) attributable to members of Snowball Group Limited	(6,158)	(2,882)	(8,547)	(3,724)
Retained (losses) at the end of the financial year	(14,342)	(8,184)	(16,500)	(7,953)

Note 22. Equity

Notes	Consolidated		Parent entity	
	2002 \$' 000	2001 \$' 000	2002 \$' 000	2001 \$' 000
Total equity at the beginning of the financial year	2,562	5,354	2,793	6,427
Total changes in equity recognised in the statement of financial performance	21 (6,158)	(2,882)	(8,547)	(3,724)
Transactions with owners as owners:				
Contributions of equity, net of transactions costs	20 (b) 20,797	90	20,797	90
Total equity at the end of the financial year	17,201	2,562	15,043	2,793

Note 23. Remuneration of Directors

	Directors of entities in the consolidated entity		Directors of parent entity	
	2002 \$	2001 \$	2002 \$	2001 \$
Income paid or payable, or otherwise made available, to Directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities	679,474	313,483	475,742	313,483

The number of parent entity Directors whose total income from the parent entity or related parties was within the specified bands are as follows:

\$	\$	Consolidated entity		
		2002	2001	
0	-	9,999	2	1
10,000	-	19,999	2	-
20,000	-	29,999	1	-
30,000	-	39,999	1	-
40,000	-	49,999	1	-
50,000	-	59,999	-	2
60,000	-	69,999	2	-
80,000	-	89,999	1	-
90,000	-	99,999	-	1
100,000	-	109,999	-	1
120,000	-	129,999	1	-

Note 23. Remuneration of Directors (continued)

On 21 December 2001, the Company issued 3,480,212 options to Directors of the Company and of the controlled entities or related parties of Directors. These options were issued pursuant to

the Company's acquisition of the Snowball business, and replaced the former Snowball Capital Limited options which had been granted during 1999 and 2000, when Snowball Capital Limited was in its "start-up" phase. The exercise price for each of these options is \$0.29, which reflects the exercise price of the options originally issued by Snowball Capital Limited.

The names of Directors of the parent entity who have held office during the financial year are:

M A Osborne (resigned 26/10/01)
 C F Plumridge (resigned 21/12/01)
 A I Baum (resigned 21/12/01)
 W J Koeck (resigned 21/12/01)
 P H Kelly (appointed 21/12/01)
 T J Elliott (appointed 21/12/01)
 A B McDonald (appointed 21/12/01)
 M N Campbell (appointed 21/12/01)
 Q B Jones (appointed 21/12/01)
 M J O'Riordan (appointed 31/01/02)
 J A Moule (appointed alternate to M N Campbell 24/05/02)

Note 24. Remuneration of executives

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
Income paid or payable to executive officers of each entity in the consolidated entity whose income from the consolidated entity is \$100,000 or more	203,732	173,118	-	-
Number of executive officers' whose income from the parent entity or any related parties was within the following bands:	Consolidated entity			
	\$	\$	2002	2001
170,000 - 179,999	-	179,999	-	1
200,000 - 209,999	-	209,999	1	-

On 21 December 2001 the Company issued 449,059 options to executive officers (with income of at least \$100,000). These options were issued pursuant to the Company's acquisition of the Snowball business, and replaced the former Snowball Capital Limited options which had been granted during 1999 and 2000, when Snowball Capital Limited was in its "start-up" phase. The exercise price for these options is \$0.87, which reflects the exercise price of the options when they were originally issued by Snowball Capital Limited.

Note 25. Remuneration of auditors

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$	\$	\$	\$

Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity:

Audit services				
- Other auditors	-	29,000	-	18,500
- PricewaterhouseCoopers Australian firm	53,000	-	-	-
	53,000	29,000	-	18,500
Remuneration for other services:				
- Other auditors	-	33,558	-	18,682
- PricewaterhouseCoopers Australian firm	167,000	-	-	-
	167,000	33,558	-	18,682

Note 26. Commitments for expenditure

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000

Contract commitments

Commitments for various services contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	283	-	-	-
Later than one year but not later than 5 years	-	-	-	-
	283	-	-	-

Operating leases

Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:

Within one year	202	-	-	-
Later than one year but not later than 5 years	420	-	-	-
	622	-	-	-

Note 27. Employee entitlements

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Employee entitlement liabilities				

Provision for employee entitlements				
Current (note 18)	394	-	-	-
Non-current	-	-	-	-
Aggregate employee entitlement liability	394	-	-	-
Number of employees at year end	56	4	-	-

Employee share scheme

A scheme under which shares may be issued by the Company to employees for no cash consideration was approved by shareholders on 18 April 2002. All full-time employees (excluding Directors and executive officers) of the consolidated entity are eligible to participate in the scheme.

Under the scheme, 41 eligible employees accepted the offer of \$1,000 worth of fully-paid ordinary shares in Snowball Group Limited for no cash consideration. The amount recognised in both the consolidated and the parent entity financial reports was \$41,000, for the year ended 30 June 2002.

Options granted to employees during the year under the Snowball Group Limited Employee share option plan is detailed in note 20(d). A summary of the numbers of options granted to, exercised and held by employees during the year ended 30 June 2002 is set out below.

Grant date	Expiry date	Exercise price	Granted	Exercised during the year	Unissued options at the end of the year
22 April 2002	22 April 2007	\$1.00	848,566	-	848,566

Note 28. Related parties

Directors

The names of persons who were Directors of Snowball Group Limited are set out in note 23.

Remuneration and retirement benefits

Information on remuneration benefits of Directors is disclosed in note 23.

Aggregate numbers of shares and share options of Snowball Group Limited held directly, indirectly or beneficially by Directors of the Company or the consolidated entity or their Director-related entities at balance date:

	2002 Number	2001 Number
Ordinary shares	5,264,203	1,873,010
Options over ordinary shares	3,480,212	160,000

Note 28. Related parties - continued

Other transactions with Directors and Director-related entities

A Director, P H Kelly, is a Director and shareholder of TLE Capital Pty Ltd. Snowball Group Limited has a contract with TLE Capital Pty Ltd for the supply of consultancy services. The contract is based on normal commercial terms and conditions.

Another Director, M J O'Riordan, is a Director and shareholder of Hipparcheia Pty Ltd. Snowball

Group Limited had a contract with Hipparcheia Pty Ltd for the supply of consultancy services. The contract was based on normal commercial terms and conditions.

The aggregate amounts of each of the above types of other transactions with Directors and their Director-related entities were:

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Consultants fees	259	-	-	-

The aggregate amounts payable to Directors and their Director-related entities at balance date were:

	Consolidated		Parent entity	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Current liabilities	247	-	-	-

Wholly-owned group

The wholly-owned group consists of Snowball Group Limited and its wholly-owned controlled entities, Snowball Capital Limited, Snowball Financial Ltd, CIS Financial Services Pty Ltd, Campbell Wallis Moule & Co Pty Ltd, Investorsource Pty Ltd, CIS Holdings No 1 Pty Ltd, CIS Holdings No 2 Pty Ltd, Commonsense Concepts Pty Ltd, Fleet Administration Limited, Fleet Online Limited and Pioneer Capital Holdings Pty Ltd. Ownership interests in these controlled entities are set out in note 29.

Transactions between Snowball Group Limited and other entities in the wholly-owned group during the years ended 30 June 2002 and 2001 consisted of:

- (a) loans advanced by Snowball Group Limited
- (b) loans repaid to Snowball Group Limited
- (c) the charge of management fees by Snowball Group Limited, Snowball Financial Limited and Investorsource Pty Ltd.
- (d) provision of accountancy services provided to the Group.

Aggregate amounts receivable/payable from entities in the wholly-owned group at balance date:

	Parent entity	
	2002 \$'000	2001 \$'000
Current receivables (loans) - net of provisions	4,005	600

Controlling entities

The ultimate parent entity in the wholly-owned group is Snowball Group Limited.

Ownership interests in related parties

Interests held in controlled entities are set out in note 29.

Note 29. Investments in controlled entities

Name of entity	Country of incorporation	Class of shares	Equity Holding	
			2002 %	2001 %
Fleet Administration Limited	Australia	Ordinary	100%	100%

Fleet Online Limited	Australia	Ordinary	100%	100%
Fleet Investment Management Ltd	Australia	Ordinary	-	100%
Pioneer Capital Holdings Pty Ltd	Australia	Ordinary	100%	100%
Fleet Stockbrokers Limited	Australia	Ordinary	-	100%
Solidarity Nominees Pty Limited	Australia	Ordinary	-	100%
Investorsource Pty Ltd	Australia	Ordinary	100%	-
CIS Holdings No.1 Pty Ltd	Australia	Ordinary	100%	-
CIS Holdings No.2 Pty Ltd	Australia	Ordinary	100%	-
Snowball Financial Limited*	Australia	Ordinary	100%	-
Campbell Wallis Moule & Co Pty Ltd	Australia	Ordinary	100%	-
CIS Financial Services Pty Ltd*	Australia	Ordinary	100%	-
Commonsense Concepts Pty Ltd	Australia	Ordinary	100%	-

* Licensed dealer in securities

Acquisition of controlled entities

On 21 December 2001 the parent entity acquired 100% of the issued share capital of Snowball Capital Limited (formerly Snowball Group Limited) and its controlled entities: CIS Financial Services Pty Ltd, CIS Holdings No 1 Pty Ltd, CIS Holdings No 2 Pty Ltd and Campbell Wallis Moule & Co Pty Ltd for \$18,750,640 in scrip plus issue costs of \$522,027.

On 24 December 2001, CIS Financial Services Pty Limited acquired 100% of the issued capital of Commonsense Concepts Pty Ltd for \$405,000 of which \$225,000 was in scrip and the balance in cash. The operating results of these newly controlled entities have been included in the consolidated statements of financial performance since the date of acquisition.

Details of these acquisitions are as follows:

	\$'000
Fair value of identifiable net assets of controlled entities acquired:	
Plant and equipment	1,782
Prepayments	20
Other debtors and accrued income	588
Work-in-progress	185
Trade debtors	414
FITB	59
Intellectual property	198
Investments	13
Bank overdraft	(1,107)
Trade and other creditors	(1,777)
Provisions	(663)
Bank loan	(299)
Lease liabilities	(133)
	<u>(720)</u>
Goodwill on consolidation	<u>20,217</u>
Share consideration	19,497
Cash consideration (inclusive of acquisition costs)	848
Total consideration	<u>20,345</u>

Note 29. Investments in controlled entities - continued

	Consolidated		Parent entity	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Outflow of cash to acquire controlled entity, net of cash acquired:				
Bank overdraft	1,107	-	-	-

Acquisition costs	848	-	-	450
Outflow of cash	1,955	-	-	450

Note 30. Discontinuing operations

During the year the following operations were discontinued:

- (a) Fleet Stockbrokers Limited conducted internet based stockbroking business. It ceased taking orders in April 2001 and the controlled entity, which held a dealers licence, was sold on 19 March 2002.

Consolidated

2002	2001
\$'000	\$'000

Financial performance information for the period ended 19 March 2002 and the year ended 30 June 2001

Revenue from operating activities	-	16
Expenses from ordinary activities	-	(2,540)
Net profit from ordinary activities after income tax	-	(2,524)

Cash flow information for the period ended 19 March 2002 and the year ended 30 June 2001

Net cash inflow/(outflow) from ordinary activities	-	(2,524)
Net cash inflow/(outflow) from investing activities	282	-
Net cash (outflow) from financing activities	-	-
Net increase in cash generated	282	(2,524)

Details of the sale of the business are as follows:

Cash received	282	-
Carrying amount of net assets sold	(252)	-
Gain on sale before income tax	30	-

Note 30. Discontinuing operations - continued

- (b) In October 2001, Fleet Capital Limited (subsequently renamed Snowball Group Limited) discontinued its fund management operations with the disposal of its wholly owned investment in Fleet Investment Management Limited.

Consolidated

2002	2001
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Financial performance information for the period ended October 2001 and the year ended 30 June 2001

	\$' 000	\$' 000
Revenue from ordinary activities	-	386
Expenses from ordinary activities	-	(663)
Net profit/(loss) from ordinary activities after income tax	-	(277)

Cash flow information for the period ended October 2001 and the year ended 30 June 2001

Net cash inflow from ordinary activities	-	(277)
Net cash inflow/(outflow) from investing activities	350	-
Net cash (outflow) from financing activities	-	-
Net increase in cash generated by the division	350	(277)

Details of the sale of the division are as follows:

Proceeds from sale of fund management business	350	-
Carrying amount of net assets sold	(88)	-
Gain on sale before income tax	262	-

- (c) In December 2001, Fleet Capital Limited (subsequently renamed Snowball Group Limited) redeemed its investment in the Kestrel Investment Fund thereby discontinuing its investment operations.

Consolidated

2002	2001
\$' 000	\$' 000

Financial performance information for the period ended October 2001 and the year ended 30 June 2001

Revenue from ordinary activities	137	136
Expenses from ordinary activities	(217)	(175)
Net profit/(loss) from ordinary activities after income tax	(80)	(39)

Cash flow information for the period ended October 2001 and the year ended 30 June 2001

Net cash inflow from ordinary activities	(80)	(39)
Net cash inflow/(outflow) from investing activities	1,677	-
Net cash (outflow) from financing activities	-	-
Net increase in cash generated by the division	1,597	(39)

Details of the redemption of the investment are as follows:

Cash received	1,677	-
Carrying amount of net assets sold	(1,682)	-
Gain/(loss) on sale before income tax	(5)	-

Note 31. Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities

Consolidated		Parent entity	
2002	2001	2002	2001
\$' 000	\$' 000	\$' 000	\$' 000

Net profit/(loss) from ordinary activities

after income tax	(6,158)	(2,882)	(8,547)	(3,724)
Depreciation and amortisation	1,605	631	-	-
Write-down investments and loans	-	-	-	3,519
Reduction in carrying value of goodwill	3,020	-	-	-
(Gain)/loss on sale of non-current assets	(548)	40	(554)	-
Revaluation decrement on investment	-	(19)	-	(20)
Write-down of investments in subsidiaries to carrying value	-	-	8,699	-
Change in operating assets and liabilities:				
(Increase)/decrease in trade debtors	(114)	141	-	(166)
(Increase)/decrease in other operating assets	(45)	-	-	-
Increase/(decrease) in trade creditors and accrued liabilities	(684)	(316)	(227)	19
Increase/(decrease) in other provisions	62	91	-	-
Net cash outflow from operating activities	(2,735)	(2,359)	(629)	(372)

Note 32. Financial instruments

(a) Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised in the statement of financial position is the carrying amount.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate, by maturity periods, for each class of financial assets and financial liabilities is set out in the table below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate liabilities to maturity.

	Note	Floating interest rate maturing in		Fixed interest rate maturing in		Non-interest bearing \$000	Total \$000
		1 year or less \$000	1 to 5 years \$000	1 year or less \$000	1 to 5 years \$000		
2002							
Financial assets							
Cash and deposits	6	79	-	-	-	-	79
Receivables	7	-	-	-	-	957	957
Investments	11	-	-	-	-	13	13
Other financial assets	10	-	-	-	-	149	149
Total financial assets		79	-	-	-	1,119	1,198
Weighted average interest rate		4.25%					
Financial liabilities							
Bank overdrafts	16	290	-	-	-	-	290
Trade and other creditors	15	-	-	-	-	1,057	1,057
Bank borrowings	19	-	299	-	-	-	299
Lease liabilities	16,19	-	-	170	12	-	182
Total financial liabilities		290	299	170	12	1,057	1,828
Weighted average interest rate	9.00%	8.60%	9.00%	9.00%			
Net financial assets/(liabilities)	(211)	(299)	(170)	(12)	62	(630)	

Note 32. Financial instruments (continued)

	Note	Floating interest rate maturing in		Fixed interest rate maturing in		Non-interest bearing \$000	Total \$000
		1 year or less \$000	1 to 5 years \$000	1 year or less \$000	1 to 5 years \$000		
2001							
Financial assets							

Cash and deposits	6	816	-	-	-	-	816
Receivables	7	-	-	-	-	-	95
Investments		-	-	-	-	1,682	1,682
Total financial assets		816	-	-	-	1,682	2,593

Weighted average interest rate 3.95%

Financial liabilities

Trade and other creditors	17	-	-	-	-	-	164
Total financial liabilities		-	-	-	-	-	164

Weighted average interest rate 0%

Net financial assets/(liabilities)	816	-	-	-	1,682	2,429
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Reconciliation of financial (liabilities)/assets to net assets

	Note	2002 \$'000	2001 \$'000
Net financial (liabilities)/assets as above		(630)	2,429
Deferred tax assets	8	59	-
Other assets	10	62	65
Property, plant and equipment	12	1,628	264
Intangibles	13	16,500	-
Current tax liabilities	16	(24)	-
Provisions	17	(394)	(196)
Net assets per statement of financial position		17,201	2,562

(c) Net fair value of financial assets and liabilities

The Directors consider that the net fair values of financial assets and liabilities approximate their carrying value.

Note 33. Earnings per share

	2002 Cents	2001 Cents
Basic earnings per share	(32.7)	(61.9)
Diluted earnings per share	(32.7)	(61.9)

Weighted average number of shares

2002 Number	2001 Number
----------------	----------------

used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

18,815,078 4,659,614

2002 2001
\$'000 \$'000

Reconciliation of earnings used in calculating earnings per share

Net profit after tax attributable to members

(6,158) (2,882)

Earnings used in calculating basic/diluted earnings per share

(6,158) (2,882)

Note 34. Future Funding of Snowball Group Limited and its controlled entities

The Group is at a stage of its development where the positive cashflow generated by its two established businesses - financial planning and accounting, together with the cashflows from its new business of portfolio administration does not yet cover the product and market development activities that are being undertaken to create broader opportunities for the growth of the Group's business.

The shortfall in operating cashflow has been substantially reduced during the first quarter of the 2003 financial year and this trend is expected to continue for the remainder of the 2003 financial year. The reduction in the level of negative cashflow is expected to be achieved by:

- reductions in operating and other expenses associated with various development activities, including in some cases deferral of activities,
- increased sales generated from new distribution partnerships and financial planning contracts together with some growth in existing distribution channels, and
- revenues from new product lines now being considered for implementation.

The Company is also pursuing growth through acquisitions and new distribution partnerships. Generally, any acquisition is intended to accelerate cashflow breakeven.

Note 34. Future Funding of Snowball Group Limited and its controlled entities - continued

At 31 August 2002, the Group had a net bank overdraft totalling \$0.565 million (30 June 2002 - \$0.211 million), and had access to a further \$0.731 million in approved bank credit facilities (30 June 2002 - \$0.735 million). The Group's cashflow projections for the year ending 30 June 2003 indicate that the Group will achieve cashflow breakeven during the last quarter of the 2003 financial year and that adequate credit facilities are in place to fund the business through to cashflow breakeven, provided budgets are met.

The Directors consider, based on all reasonably foreseeable circumstances facing the Group, that

sufficient funding is available to meet the working capital requirements of the Group for the twelve months from the date of signing these accounts.

The Directors of Snowball Group Limited are continuing discussions with existing and potential strategic investors and further capital raisings are possible if additional funding is required by the Snowball Group.

The Directors declare that the financial statements and notes set out on pages 24 to 55:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 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.

Directors Declaration

This declaration is made in accordance with a resolution of the Directors.

P H Kelly
Director

Sydney
26 September 2002



The shareholder information set out below was applicable as at 17 September 2002.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

		Class of equity security	
		Ordinary shares	
		Shares	Options
1	- 1,000	224	-
1,001	- 5,000	295	4
5,001	- 10,000	44	18
10,001	- 100,000	97	22
100,001	and over	48	11
		708	55

Independent Auditor's Report



In our opinion, the financial report, set out

on pages 24 to 56:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Snowball Group Limited (the Company) and its controlled entities (the Group) as at 30 June 2002 and of its performance for the year ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report - responsibility and content

The preparation of the financial report for the year ended 30 June 2002 is the responsibility of the Directors of Snowball Group Limited. It includes the financial statements for Snowball Group Limited and its controlled entities (the Group), which incorporates Snowball Group Limited and the entities it controlled during the year.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the Directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations and cash flows.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence

- evaluating the accounting policies applied and significant accounting estimates made by the Directors in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Company and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Company. These services are disclosed in note 25 to the financial statements. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

P J Fekete
Partner

Melbourne
26 September 2002



Shareholder Information

There were 238 holders of less than a marketable parcel of 1,428 ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Equity Partners Two Pty Limited	4,594,666	13.74
Jawcamb Management Services Pty Ltd	1,931,941	5.78
Energy Industries Superannuation Scheme Pty Ltd	1,899,419	5.68
Ms Lynette Ann Leitis	1,248,292	3.73
Grand Cru 66 Pty Ltd	1,228,871	3.68
National Australia Trustees Limited	1,139,658	3.41
Mr David Martin Raits	1,079,053	3.23
John R Keeble & Associates Pty Ltd	935,386	2.80
Mr Terence Charles Williams	842,683	2.52
Mr Philip Hedley Kelly	778,892	2.33
Mr Bruce Kevin Pellow	765,780	2.29
FAI General Insurance Company Limited	759,767	2.27
Macnab Clarke Properties Pty Ltd	719,482	2.15
Mr M N & Mrs L J Campbell ATF the Campbell Retirement Fund	600,000	1.79
Mr J A and Mrs C A Moule ATF the Moule Superannuation Fund	600,000	1.79
Perpetual Trustees Consolidated Limited		
ATF the Magowan Family Superannuation Fund	595,850	1.78
Mr K J Roche & Mr D A Roche ATF the Clendon Super Fund	569,831	1.70
Etna Formwork Pty Ltd	557,314	1.67
Mrs Elizabeth Kelly	484,000	1.45
Mr Maxwell Norman Campbell	452,422	1.35
	<u>21,783,307</u>	<u>65.14</u>

Unquoted equity securities

Options	Number on issue
• Options issued to other persons and corporations	2,698,359
• Options issued to Directors and executive officers	2,009,617
• Options issued under the Snowball Employee Option Plan to take up ordinary shares	848,566
	<u>5,556,542</u>

No person holds 20% or more of these options.

C. Substantial holders

Substantial holders in the Company are set out below:

Number

	held	Percentage
Equity Partners Two Pty Limited	4,594,666	13.74
Jawcamb Management Services Pty Ltd	1,931,941	5.78
Energy Industries Superannuation Scheme Pty Ltd	1,899,419	5.68

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- (b) Options
No voting rights.

E. On-market buy-back

There is no current on-market buy-back.

PricewaterhouseCoopers

333 Collins Street
MELBOURNE VIC 3000
Telephone (03) 8603 1000
Facsimile (03) 8603 1999
DX 77 Melbourne

Independent audit report to the members of
Snowball Group Limited

Audit opinion

Corporate Directory

Directors

P H Kelly BA (Hons), MBA Chairman

A B McDonald BComm, LLB Managing Director

M N Campbell CPA, FPS

T J Elliott BComm, BA

M J O'Riordan BComm

Q B Jones BA, LLB

J A Moule FCPA, ACIS (Alternate for M N Campbell)

Secretary

C F Scarcella BComm, FCPA

Notice of annual general meeting

The annual general meeting of Snowball Group Limited

will be held at Baker & McKenzie
AMP Centre, 50 Bridge Street
Sydney NSW 1223

time 12.30pm

date Tuesday 26 November 2002

Registered office in Australia

Snowball Group Limited
70 - 76 Yarra Street
Heidelberg VIC 3084
Phone: 03 9458 3122 Fax: 03 9457 5749

Principal administrative office

Snowball Group Limited
Level 3, 15-17 Young Street
Sydney NSW 2000
Phone: 02 9250 1500 Fax: 02 9250 1555

Share registers

Computershare Investor Services Pty Limited
Level Twelve, 565 Bourke Street
Melbourne VIC 3000
Telephone: 03 9611 5711

Auditor

PricewaterhouseCoopers
Chartered Accountants
333 Collins Street
Melbourne VIC 3000

Solicitors

Baker & McKenzie
AMP Centre, 50 Bridge Street
Sydney NSW 1223

Bankers

St. George Bank Limited
99 Bell Street
Preston VIC 3072

Stock exchange listings

Snowball Group Limited shares are listed on the Australian Stock Exchange.

Website address

www.snowballfinancial.com.au

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G R O U P