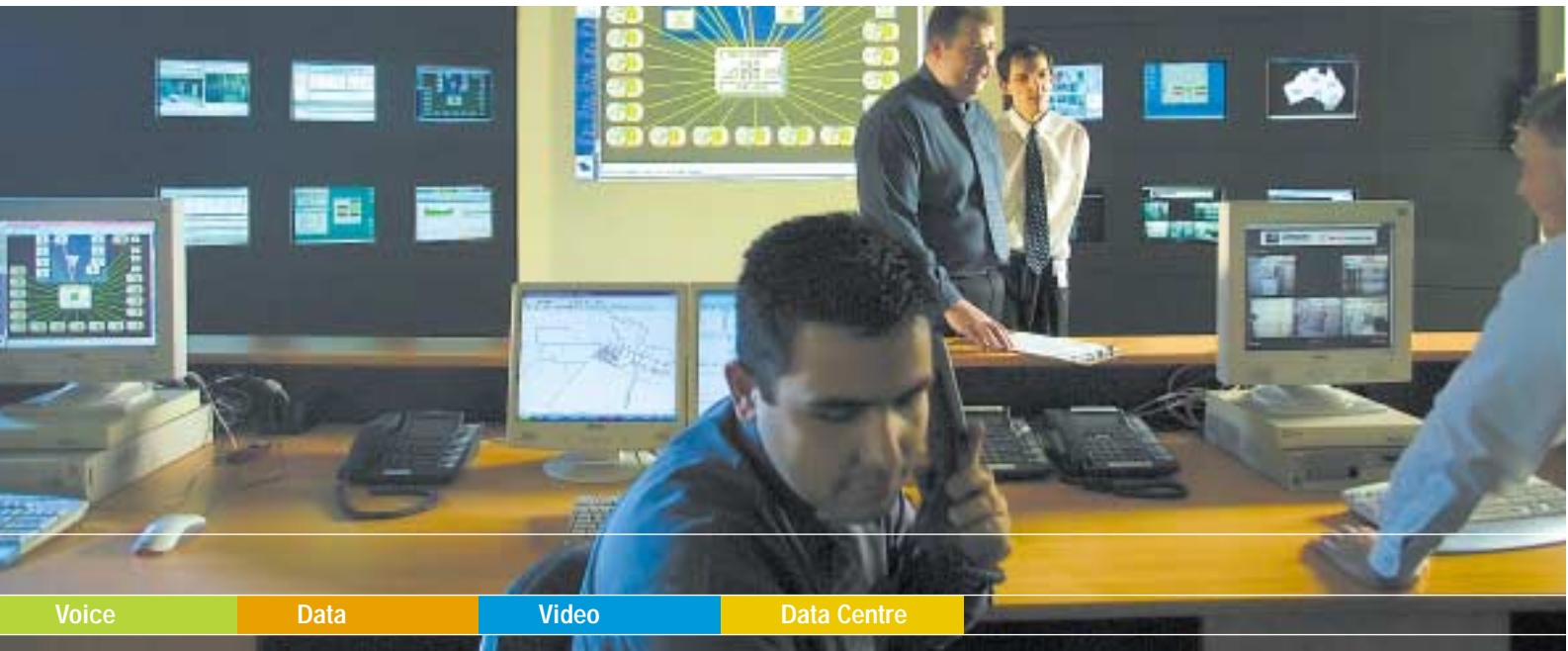




02-03



Voice

Data

Video

Data Centre

**Broadband** Solutions for Business



**Amcom**  
Telecommunications

“Amcom Broadband  
solutions for business”



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### GROUP DIRECTORY

#### Perth

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43 King Edward Road  
OSBORNE PARK WA 6017  
AUSTRALIA

Telephone: +61 8 9244 6000  
Facsimile: +61 8 9244 6001  
Email: amcom@amcom.com.au  
Website: www.amcom.com.au

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Sales Information 1800 222 019

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AUSTRALIA

Telephone: +61 8 8224 0552  
Facsimile: +61 8 8224 0510

### RESCUE TECHNOLOGY GROUP PTY LTD

#### Perth

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OSBORNE PARK WA 6017  
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Telephone: +61 8 9244 6100  
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# Amcom Overview

Amcom is a leading West Australian based public listed telecommunications carrier with a network encompassing over 500kms of high-speed optic fibre in Perth, Adelaide and Darwin accessing over 400 buildings.

We own our fibre optic network which means we can compete competitively in the highly contested telecommunications market offering our clients innovative, flexible and cost effective solutions needed in today's business environment.

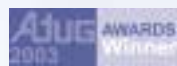
We pride ourselves on delivering competitive solutions to our customers through the latest technologies. So it's no surprise that the performance and innovative design of our network have helped us win prestigious awards such as "Carrier of the Year" by the Australian Telecommunications User Group (ATUG) and second in the "2003 Deloitte Technology Fast 50 Awards", a ranking of the 50 fastest growing technology companies in Australia.

## Amcom's Vision

To become the leading broadband solution provider in Perth, Adelaide and Darwin through product innovation and service delivery excellence

## Amcom's Mission

To maintain a strong customer focus and employee support, recognising that through their high standards, creativity and commitment, our Company will prosper.  
To achieve and deliver superior returns on shareholder's investment through sound financial management practices and operating disciplines.



Carrier of the Year



# Chairman's Letter to Shareholders



Dear Fellow Shareholder

I am pleased to present Amcom Telecommunications Limited's Annual Report for the 2003 financial year.

During 2003, Amcom continued its focus on growing intra-city traffic in the targeted metropolitan areas of Perth, Adelaide and Darwin.

Your Company faced a number of challenges during 2003 and, thanks to the inspiration and endeavour of the Amcom team, led by Managing Director Eddy Lee, Amcom is a much stronger organisation and is well positioned to drive financial performance and value for its shareholders.

Amcom delivered its maiden full year profit before write downs in the financial year 30th June 2003, however, the final result was distorted by the Board's decision to write off the carrying value of the Company's 26% stake in IP1 Holdings Pty Ltd.

As many shareholders will be aware, in May 2003, IP1's Board placed that Company into administration. Your Company's investment in IP1 was passive and was not material to Amcom's operations. Nonetheless, the decision to place IP1 into administration was disappointing and has had a 'one off' but substantial impact on Amcom's bottom line.

Removing the impact of the IP1 write off, Amcom reported underlying earnings before interest, tax, depreciation and amortisation (EBITDA) of \$4.0 million – a threefold increase over the 2002 financial year – and net profit after tax (NPAT) of approximately \$400,000.

The Managing Director's Report contains details of Amcom's performance at the operational level.

A significant event occurring since the end of the last financial year was Amcom's recent purchase of the Amnet Internet Service Provider/Systems Integration Group (Amnet IT).

The acquisition of the Amnet IT is important strategically as it will increase the capabilities of Amcom's high end corporate/government broadband business as well as form the wholesale ISP arm of the Amcom group.

Importantly, it will also deliver additional revenue (Amnet is growing at 40%+ p.a.) and be immediately earnings positive.

I would like to focus on two issues:

## Capital management

During 2003, Amcom strengthened its balance sheet through:

- ▶ An oversubscribed issue of \$3 million in convertible notes following strong interest from institutional investors.
- ▶ A landmark agreement with diversified contracting services group Ausdrill Limited.

The Ausdrill agreement provides Amcom with a long-term infrastructure loan facility of drawable up to \$8 million and outsources to an external plant works specialist the connection of customers to Amcom's broadband infrastructure.

This infrastructure facility will have a material impact on Amcom's future success for two reasons.

Firstly, Amcom can now drive earnings growth by focusing on its core competencies of securing new customers and providing outstanding broadband solutions.

Secondly, the agreement frees up Amcom's internal net operating cash flow, which would otherwise be required to fund customer acquisition. That cash flow will now be able to accumulate, strengthening Amcom's balance sheet and allowing the Company to focus on other areas of earnings development.

## Cash flow

It is truer in 2003 than at any previous time that 'cash is king'. Investors and the capital markets are increasingly focusing on cash flow, rather than reported profits, as an indicator of the quality and strength of companies.

For Amcom (and other telecommunications companies), growing net cash flow requires increasing operating cash flow and maintaining tight control over capital expenditure.

During the 2003 financial year, Amcom strongly increased its operating cash flow. In fact, the final quarter of 2003 produced almost 43% of the full year net operating cash flow of \$2.5 million. Your Company also greatly reduced capital expenditure as the installation cost per customer reduced as a result of the maturing network reach. In the final quarter of 2003, capital expenditure in the form of investing cash outflows was less than \$700,000.

Your Board anticipates that the positive growth in net operating cash flow will continue during the 2004 financial year.

A combination of continued revenue growth as Amcom increases market share, stable fixed outgoings, in addition to the Amnet ISP acquisition, means 2004 promises a great leap forward in terms of cash flow, profitability and shareholder value.

I look forward to sharing a successful year with all Amcom shareholders.

Yours faithfully

**Anthony J Grist**  
Chairman

# Financial Summary 2003

## Financial Headlines

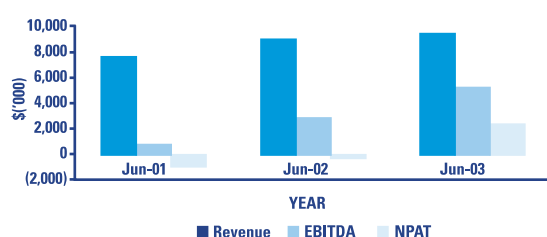
- Core broadband of \$11.06 million, up 22% on prior year.
- Group EBITDA before significant write downs up 209% to \$3.95 million.
- Net Profit after Tax before once off write downs \$356,000 (2002: Loss of \$2.88 million).
- Significant once off write downs include \$12.7m for IP1 investment.
- Group secures \$8.28 million funding to repay Bankwest, fund customer connections and network expansion.

## Comparison of Operational Results 3 Years

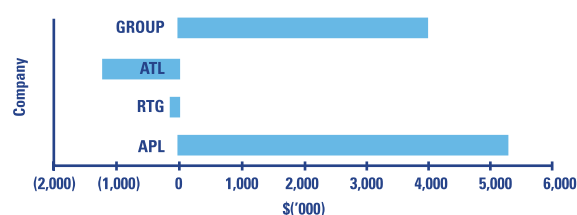
	Jun-01	Jun-02	Jun-03
	\$( '000)	\$( '000)	\$( '000)
<b>Revenue</b>			
Amcom	4,593	7,115	9,376
Rescue Technology Group	776	1,979	1,681
Non Core (Discontinued Activities)	2,792	1,771	0
<b>Total Revenue</b>	<b>8,161</b>	<b>10,865</b>	<b>11,057</b>
<b>Cost of Sales</b>			
Broadband	384	1,593	1,334
Non Core (Discontinued Activities)	2,259	1,535	0
<b>Total Cost of Sales</b>	<b>2,643</b>	<b>3,128</b>	<b>1,334</b>
<b>Gross Profit</b>	<b>5,517</b>	<b>7,737</b>	<b>9,723</b>
Expenses	5,950	6,459	5,770
<b>EBITDA</b>	<b>(432)</b>	<b>1,278</b>	<b>3,953</b>
Depreciation	1,647	2,671	2,694
Amortisation of Goodwill	520	476	476
<b>EBIT</b>	<b>(2,599)</b>	<b>(1,869)</b>	<b>783</b>
Net Interest Expense/(Income)	(168)	993	437
<b>Operating Profit</b>	<b>(2,431)</b>	<b>(2,862)</b>	<b>346</b>
Minority Interests	19	(35)	(11)
Income Tax	0	53	0
<b>NP After Tax before Significant Items</b>	<b>(2,451)</b>	<b>(2,880)</b>	<b>356</b>
<b>Significant Items</b>			
IP1 Australia Pty Ltd Operating Loss	(2,782)		
Net Gain on De-Consolidation of IP1 Australia Pty Ltd		3,035	
Write Down of Investment and Goodwill on Acquisition of Rescue Technology Group		(1,714)	
Write Down of IP1 Investment and other			(12,772)
Total Adjustments	(2,782)	1,321	(12,772)
<b>Reported Result</b>	<b>(5,233)</b>	<b>(1,559)</b>	<b>(12,416)</b>

The group results have been mainly influenced by the results of the main operating subsidiary **Amcom Pty Ltd**

**Amcom Pty Ltd**



**Contribution to EBITDA FY03**



ATL Amcom Telecommunications Limited (listed holding company)  
 RTG Rescue Technology Group (operating subsidiary)  
 APL Amcom Proprietary Limited (operating subsidiary)

# Managing Director's Report on the Year's Activities



## The year in review

The 2003 financial year represented a period of consolidation for Amcom Telecommunications Ltd, following the previous year's Company-wide rationalisation and restructure.

Following a rebranding initiative, Amcom positioned its core broadband services business (Amcom Pty Ltd or APL) to offer comprehensive business broadband solutions (voice, video, data and applications) via its modern fibre optic-based network.

Despite ongoing subdued conditions in the telecommunications industry, APL continued to acquire new blue chip corporate and government customers onto its broadband networks in Perth, Adelaide and Darwin. While market conditions slowed APL's revenue growth, its strong financial and operating systems resulted in APL's earnings being well above budgeted levels.

During the year, two national awards highlighted Amcom's achievements:

- ▶ The Australian Telecommunications User Group's 2003 Award for Carrier of the Year.
- ▶ Second place in the 2003 Deloitte Technology Fast 50, which recognises Australia's fastest revenue growth in technology companies.

## Financial Performance

Amcom reported a net loss of \$12.4 million for the 2003 financial year.

The result was distorted by a \$12.7 million write off of the carrying value of Amcom's 26% interest in Perth to Melbourne fibre optic cable owner IP1, which your Chairman discussed in his letter.

Excluding the impact of the IP1 write off, Amcom delivered full year EBITDA of \$4.0 million (FY 2002: \$1.3 million) and NPAT of \$356,000 (FY 2002: \$2.9 million loss). Those results were below Amcom's expectations and were largely attributable to the performance of Rescue Technology Group (Rescue), which is discussed below.

Across the Group, Amcom achieved an EBITDA margin of 36% during the year (FY 2002: 12%), reflecting Amcom's ability to deliver the high margins expected from an infrastructure owner.

APL's financial performance during the year was strong. Soft market conditions

caused revenue to fall 9% below budget. However, during the previous year, APL instituted financial and operating systems that allow APL to rapidly adjust costs in line with varying revenue levels. Consequently, APL reported EBITDA of \$5.2 million (FY 2002: \$2.8 million) and NPAT of \$2.4 million (FY 2002: \$55,000 loss). Both those results were above budget and represent an EBITDA margin of 55% (FY 2002: 30%) and an NPAT margin of 25% (FY 2002: -0.6%).

Despite the technology downturn of the last three years and strict limits on capital expenditure for network expansion, APL has achieved average recurring revenue growth of 32% over that period. In addition, over the past two years, APL has grown broadband access revenue at an average 71% a year.

The severe and prolonged downturn in the information technology industry also impacted Rescue, which performed below Amcom's expectations. Rescue reported negative EBITDA of \$110,000 loss (FY 2002: \$20,000 profit) and a net loss of \$260,000 (FY 2002: \$176,000 loss).

Amcom has restructured Rescue in recognition of what is a markedly changed industry and Amcom's expectations of the business. Rescue is now positioned to deliver broadband-based products that compliment APL's broadband solutions and deliver recurring revenue. Amcom expects a positive contribution from Rescue in the 2004 financial year.

## Operations

APL's broadband fibre optic network encompasses 550 kilometres and enters 400 buildings in Perth, Adelaide and Darwin. The network is now extensive in both reach and capacity and provides the backbone for the delivery of APL's broadband services.

For example, APL's Perth network has over 55 exchange sites across the metropolitan area, coupled with advanced switch equipment. This enables APL to deliver a comprehensive range of broadband services to all major satellite business centres.

The quality of APL's network is enhanced by continuous network monitoring and customer support.

In line with its strict financial and operational systems, APL has

implemented and maintained tight controls over capital expenditure with network extension orientated around customer connections.

## Outlook

Amcom has identified growth opportunities for its existing fibre-based products, building on the Company's proven business model.

Good financial and operating systems have played a major role in APL's bottom line result. These systems have lowered APL's incremental operating costs and provide the flexibility for APL to quickly scale and increase revenue without significant additional cost.

Amcom has built a strong brand for broadband services with high end business users in its target markets. Amcom has built that brand value on excellent customer service and rapid provisioning of its services.

Amcom has also identified a number of opportunities to leverage off its fibre optic network reach, which extends to approximately 80% of business premises in the greater Perth, Adelaide and Darwin metropolitan areas.

A natural progression for Amcom is the growing and substantial xDSL market. The Organisation for Economic Cooperation and Development (OECD) has identified the take up of xDSL as one of the principal growth drivers for global telecommunications revenue.

During the first half of the 2004 financial year, Amcom will enter the small and medium enterprise (SME) xDSL market. Amcom's network reach and ownership provide it with the natural ability to enter SME xDSL and gain a sustainable cost competitiveness advantage. This strategy is complimentary to our fibre business as in time customers will have the option to migrate to a fibre-based service.

Your Company is entering an exciting phase. My team and I look forward to managing the growth we anticipate and delivering further improved operational and financial performance in the 2004 financial year.

## Eddy Lee

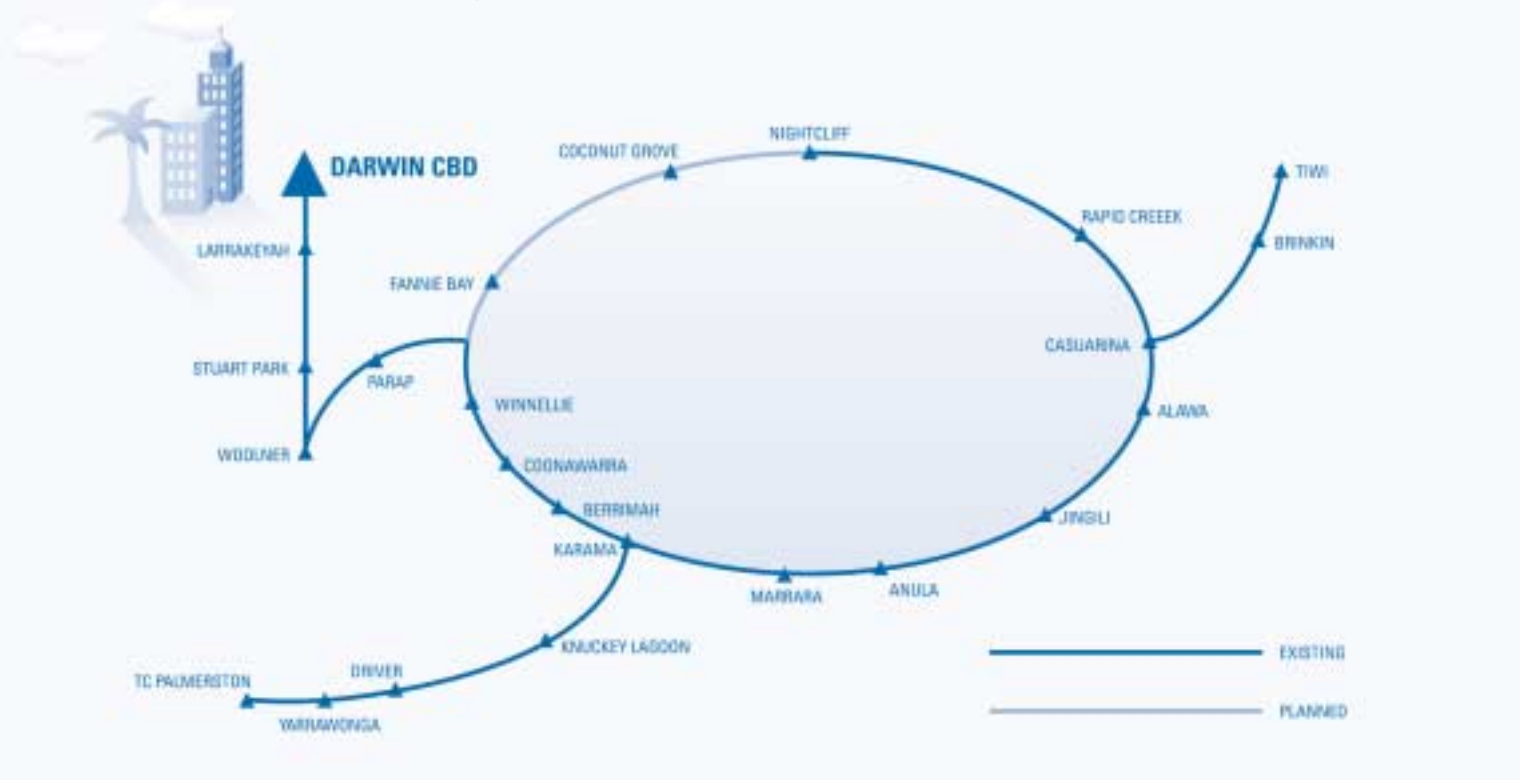
Managing Director and  
Chief Executive Officer



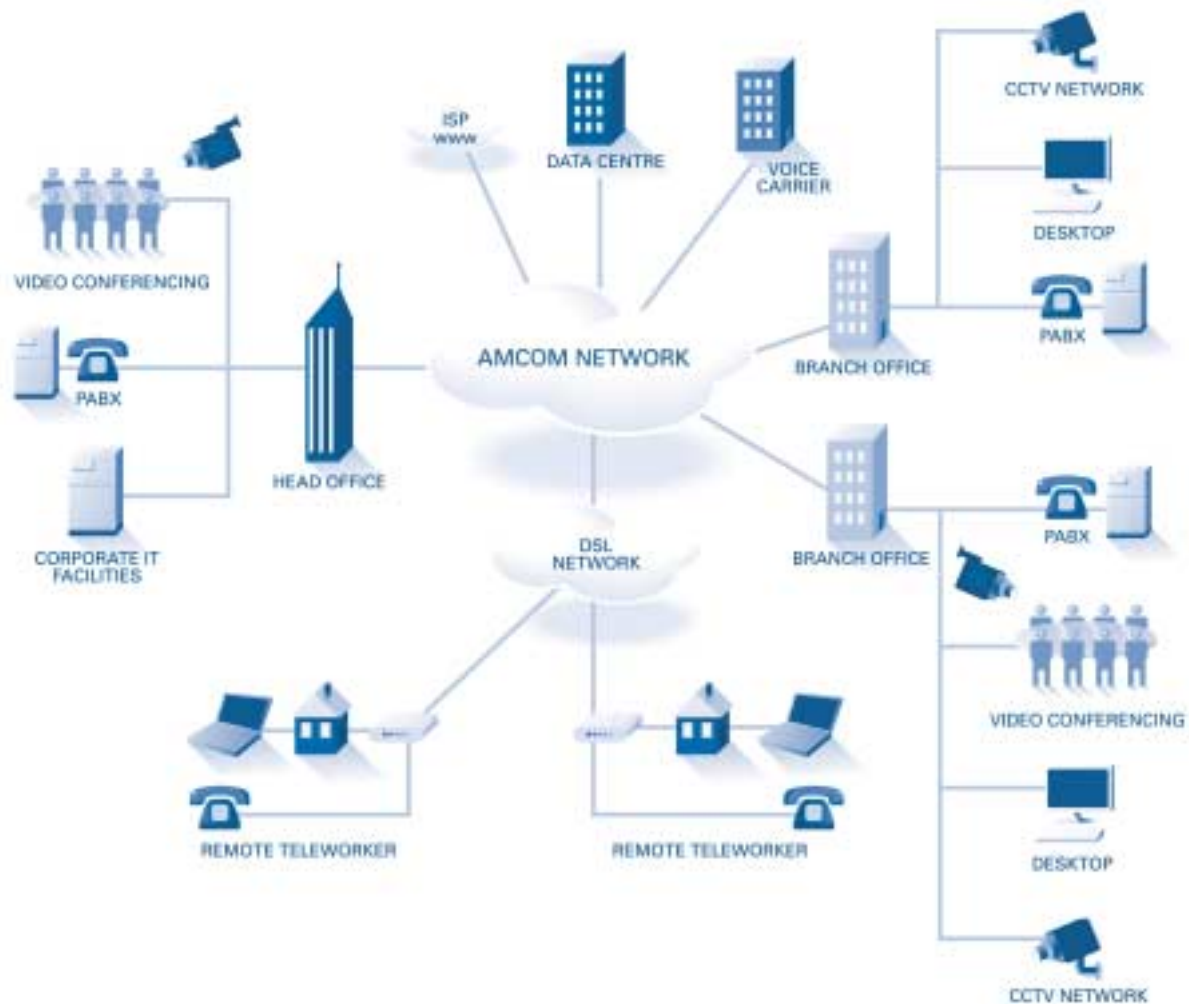
Carrier of the Year



# Network Coverage Darwin



# Amcom Broadband Solutions for Business



# Directors' Report

The Directors of Amcom Telecommunications Limited submit herewith the annual financial report for the financial year ended 30 June 2003. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

## BOARD OF DIRECTORS

The names and particulars of the directors of the Company during and since the end of the financial year are:



**Anthony GRIST**  
Chairman

Age 40, joined the Board in 1997. After managing the corporate underwriting division of a Corporate Member of the Australian Stock Exchange, Mr. Grist formed a private investment group based in Perth, Western Australia, in 1991. He has extensive international experience in the management of public companies.



**Ian WARNER**  
Non-executive Deputy Chairman

Age 66, joined the Board in 1994. Non-executive Deputy Chairman joined the Board in 1994, has practiced as a commercial lawyer for over 25 years. He is also a Director of Australia Post and Rivaknar Properties (WA) Pty Ltd (a wholly owned subsidiary of two public companies).



**Eddy LEE**  
Managing Director and  
Chief Executive Officer

Age 49, joined the Board in 2000. Mr. Lee began his career with the Sheraton Corporation in Australia. A former President and CEO of Star Cruises based in Singapore, Mr. Lee is best-known for successfully introducing, developing and transforming the cruise industry in

Asia into a billion-dollar business. Mr. Lee has more than 20 years International business experience having held CEO positions with some of the major blue chip companies in Hong Kong, Singapore and Malaysia including CDL Hotel International (Hong Leong Group), Star Cruises and Resorts World (Genting Group).



**Clive STEIN**  
Chief Operating Officer and Director

Age 42, joined the Board in 2000. Mr. Stein has 20 years international experience in the electronics, computer and communications industries and holds a HNC Electrical Engineering qualification. He joined Amcom as General Manager in 1999 and was subsequently appointed as Chief Operating Officer following the merger with FiberTel Limited. Mr. Stein's previous positions included State Manager of AWA Limited - a major Australian communications manufacturer and General Manager of an electronic communications company which developed, manufactured and distributed products and services to the healthcare industry throughout Australia and South East Asia. Prior to this Mr. Stein was the Software Services Business Manager with Digital Equipment Corporation (DEC) in New Zealand. His career, which commenced in the electronics industry in South Africa, has also included a number of engineering positions.



**Andrew McLEAN**  
Non-executive Director

Age 44, joined the Board in 2000. Mr. McLean, who has more than 20 years experience in the telecommunications industry, founded Amcom in 1988. He has experience in

plant construction, maintenance and transmission systems for New Zealand Telecom and has worked on major projects in New Zealand, Australia, Vietnam, South America and Indonesia. Mr. McLean also had extensive involvement in the design and implementation of optical fibre networks and associated equipment.



**Peter CLIFTON**  
Non-executive Director

Age 52, joined the Board in 1999. A Consultant with particular expertise in strategic and operational reviews of telecommunications business, Mr. Clifton has more than 25 years experience in the telecommunications industry and extensive international business experience. This included 10 years establishing and managing Telstra's businesses in South East Asia, the Middle East and Europe. Mr. Clifton's clients include Asia Infrastructure Fund Advisors Limited, Peregrine, Williams International, WorldxChange, KPMG and Leighton Visionstream.



**Ronald George SAYERS**  
Non-executive Director

Aged 51, joined the Board in 2003. Mr Sayers appointed as Non-executive director on 19 August 2003. He is the Managing Director of Ausdrill Ltd having founded the Company in 1987. The Company owns a telecommunications infrastructure business. Mr Sayers was formerly the branch manager of a large mining supply group and has been involved with the mining industry for over 20 years.

## PRINCIPAL ACTIVITIES

The consolidated entity is a telecommunications company providing broadband carrier services. Its principal activity is the development of high speed technology links and the supply of last mile fibre optic network connections in Australia.

## DIRECTOR MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Number of Meetings	Board Meetings		Audit Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr. A. McLean	11	10	-	-	2	-
Mr. A. J. Grist	11	11	-	-	-	-
Mr. C. Stein	11	11	-	-	-	-
Mr P. Clifton	11	9	5	5	2	2
Mr. I. K. Warner	11	10	5	5	2	2
Mr. E. Lee	11	10	-	-	-	-
Mr. M. Dooley*	7	4	-	-	-	-

(\* Mark Dooley resigned on 11th February 2003)

## DIVIDENDS

No dividends have been paid or declared since the start of the financial year.

The directors do not recommend the payment of a dividend in respect of the year ended 30 June 2003.

## REVIEW OF OPERATIONS

The Company has continued to develop its network infrastructure to deliver high speed bandwidth capacity in its target geographical regions. Additional information on the operations of the Company are detailed in the Managing Director's and Chairman's Reports.

## CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the Company that occurred during the financial year, and which are material to the Company, were:

- (a) On the 4th September 2002 the Company announced a convertible note issue of \$3 million, which was fully subscribed. On the 28th October 2002 the Company completed the convertible loan note placement of 2,500,000 notes at a face value of \$1.20 per note. The notes are convertible into 10 shares per note. The funds were used for the purposes of working capital to fund capital expenditure for accelerating customer connections.
- (b) On the 26th September 2002 the Company held a general meeting of shareholders where the shareholders ratified and approved:
- (i) representing a \$100,000 fee for securing pre-sales of approximately \$80 million for Amcom IP1, thereby facilitating financial closure of IP1 Holdings Pty Ltd / IP1 (Australia) Pty Ltd.
  - (iv) Placement to Mr. Eddy Lee of 2,500,000 shares at 10 cents and that the shares be funded by a company loan of \$250,000 as part of an executive employee incentive scheme.
- (c) On the 15th May 2003 a receiver / manager was appointed to IP1 Holdings Pty Ltd and its wholly owned subsidiary IP1 Australia Pty Ltd (jointly referred to as "IP1"). The receiver / manager was appointed by the ANZ Bank. As a result, the directors have resolved to write down the Company's investment of \$12.7 million in IP1 as at 30 June 2003.
- (d) On the 23rd May 2003 the group signed a heads of agreement for financing and outsourcing with Ausdrill Ltd, a listed public company providing telecommunications infrastructure services. Ausdrill provided a facility of up to \$8.28 million to:
- (i) Allow the group to undertake customer connections utilising Ausdrill's cable laying services.
  - (ii) Allow the group to expand its network via special capital payment facility also utilising Ausdrill's cable laying services.
  - (iii) Repay the Bankwest debt facility.
- (e) On the 30th May 2003 the Company issued 5,000,000 shares at 10 cents to Ausdrill International Pty Ltd as part of the agreement to procure the Ausdrill Ltd facility.
- (i) Previous allotment on or about 24 January 2002 of 16,775,761 shares at 10 cents and 8,387,881 free options as part of the funding of the closure of IP1 Holdings Pty Ltd / IP1 (Australia) Pty Ltd. The options are exercisable at 30 cents by January 2004.
- (ii) Placement of 1,352,960 shares at 10 cents and 676,480 free attaching options to four directors, Messrs Anthony Grist, Eddy Lee, Andrew McLean and Peter Clifton, in satisfaction of \$135,296 loan funds advanced to the Company in January 2003 for the purpose of financial closure of IP1.
- (iii) Payment to a Company associated with Mr. Eddy Lee of 1,000,000 shares at a deemed price of 10 cents per share





### SUBSEQUENT EVENTS

On 8 August 2003, the Ausdrill Ltd financing facility referred to above was settled and Bankwest was repaid the balance of its facility of \$920,000.

There has not been any other matter or circumstance, other than that referred to in the financial statements, or notes there of, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operation of the consolidated entity, the results of those operations on the state of affairs of the consolidated entity in financial year.

### FUTURE DEVELOPMENTS

During the coming financial period the Company will continue to focus on growing carrier returns from its existing network and infrastructure as well as maintaining a strict financial regime on capital expenditure. Further value added services will be implemented thus increasing the range of product offerings available to Amcom customers.

### SHARE OPTIONS

The Company has an existing Employee Share Option Scheme. The issue of entitlements is at the discretion of the Board. Directors of the Company cannot be beneficiaries of this scheme without appropriate regulatory and shareholder approval. From time to time the Board of Directors will allocate options to employees of the Company subject to certain conditions. These terms and conditions will be decided by the Board from time to time having regard to various factors such as the current and potential contribution to the Company, period of employees' service with the Company, and other matters the directors consider in their absolute discretion. The maximum number of options issued pursuant to the employee share option plan is 5% of the issued capital of the Company. During and since the end of the financial year, no options were exercised or issued under the share option scheme.

### INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the Company Secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### DIRECTORS' SHAREHOLDINGS

The relevant interest held by a director or a related body corporate in the share capital of the Company as at the date of this report is:

	Full Paid Ordinary Shares No.	Listed Options (i) No.	Unlisted Options (ii) No.	Convertible Notes (iii) No.
Mr. I. K. Warner	1,000,000	255,000	-	-
Mr. P. Clifton	2,306,859	982,754	375,000	-
Mr. A. J. Grist	9,054,376	3,013,594	-	101,000
Mr. A. McLean	27,499,999	7,500,000	-	-
Mr. C. Stein	9,000	8,250	-	-
Mr. E. Lee	3,791,676	196,413	-	-
Mr. R. Sayers	15,500,000	-	-	-

- (i) All options are for the purchase of fully paid ordinary shares at 30 cents and expire on 31 January 2004.
- (ii) The unlisted options were issued in previous years as part of a remuneration scheme and are exercisable at 80 cents.
- (iii) The convertible notes issued to a company associated to Mr. Anthony Grist were approved at a general meeting of the Company on the 26th September 2002. The notes were issued on the same terms and conditions as was issued to the general public pursuant to the prospectus dated 25th September 2002.
- (iv) Mr. Ronald Sayers's shareholding is held through his interest in the Ausdrill Ltd group.

## DIRECTORS' AND EXECUTIVES' REMUNERATION

For the purposes of disclosing executive officers' remuneration, there are no officers, other than the directors, who were involved in, concerned in, or who took part in the management of the affairs of Amcom Telecommunications and its controlled entities. Details of the nature and amount of the remuneration of each director and executive officer of the Company and the consolidated entity receiving the highest remuneration are set out in the following tables.

The Remuneration of directors and senior executives of the Company is established having regard to experience, qualifications, market factors and the achievements of the individual.

Remuneration packages contain the following key elements:

- (a) Salary/fees to companies employing the director/executive;
- (b) Benefits including superannuation, motor vehicle and other fringe benefits; and
- (c) Incentive schemes - including performance related bonuses, shares and options under the executive employee incentive scheme.

Remuneration is for the full financial year unless otherwise stated:

## DIRECTORS' REMUNERATION

	Salary/fees \$	Benefits \$	Incentive Schemes \$	Total \$
Mr A. Mclean	-	-	-	-
Mr C. Stein	153,363	13,581	-	166,944
Mr A. J. Grist	183,761	-	-	183,761
Mr E. Lee	214,607	-	*100,000	314,607
Mr P. Clifton	25,000	-	-	25,000
Mr I. K. Warner	-	19,620	-	19,620
Mr M. Dooley	-	-	-	-

Note: Director's remuneration includes consultancy fees paid to associated companies of the director.

During the year, the directors were not entitled to any performance bonuses nor did they receive any options under an employee share option plan except a company associated with a director, Mr. Eddy Lee received a placement of 1,000,000 shares at 10 cents (\* \$100,000 disclosed above) at a general meeting of shareholders on the 26th September 2002, as a bonus for assisting in procuring pre sales for the IP1 project. At that general meeting, an executive employee incentive scheme was approved for Mr. Eddy Lee whereby he received 2,500,000 shares at 10 cents, funded by a company loan of \$250,000.

In previous years, Mr. Peter Clifton was issued 375,000 unlisted options exercisable at 80 cents by 31st December 2004. Based on the Black Scholes valuation method as recommended in ED 108 "Request for Comment on IASB ED Number 2 Share-Based Payment", the value of the options is nil.

During the year, Messrs Grist and Stein each held 500,000 unlisted options issued pursuant to an executive remuneration plan to acquire fully paid ordinary shares in the Company at \$1.50. The options expired on 30 June 2003 without being exercised. Hence no benefit was received by those directors.

The terms 'director' and 'officer' have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity. Executive officers are those directly accountable for the operational management and strategic direction of the Company and the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to Section 298 (2) of the Corporations Act 2001.

On behalf of the directors



**Anthony J Grist**  
Chairman

Perth 30 September 2003



"Amcom staff at your service"

# Corporate Governance Statement

## THE BOARD OF DIRECTORS

The Board of Directors consists of an Executive Chairman, four non-executive directors and two executive directors. Given the current size of the Company a Board of seven is considered an appropriate size and given its composition most issues can be decided at Board level. Where it is considered appropriate, committees are appointed.

The Company has two committees, the audit committee and the remuneration committee.

The Board's composition is based on the following principles:

- (a) The Chairman should be an executive director elected by the full Board.
- (b) The Board should consist of directors with a broad range of skills and experience that will benefit the Company.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. One third of all directors are considered for re-election each year.

The Board as a whole serves as the nomination committee. When a vacancy exists or it is considered that the services of a new director with particular skills would benefit the Board, the Board selects the most suitable candidate who must stand for election at the next Annual General Meeting of shareholders.



## AUDIT COMMITTEE

The audit committee is comprised of two non-executive directors. Mr. Warner is the Chairman of the audit committee. The external auditors, the Managing Director and Company Secretary are invited to audit committee meetings at the discretion of the committee.

The responsibilities of the audit committee include:

- 1 Reviewing financial statements and other information distributed externally;
- 2 Reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified appropriate and prompt action is taken;
- 3 Liaising with external auditors and ensuring that the annual and half-year statutory audits are conducted in an effective manner; and;
- 4 Monitoring the procedures in place to ensure compliance with the Corporations Act 2001, Stock Exchange Listing Rules and any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions.

The committee is also charged with the responsibilities of recommending to the Board the appointment, removal and remuneration of the external auditors and reviewing the terms of their engagement and the scope and quality of the audit.

## REMUNERATION COMMITTEE

The remuneration committee comprised of three non-executive directors. Mr. Clifton is the Chairman of the remuneration committee. The committee is responsible for the review of the performance, remuneration and terms and conditions of employment of executive directors, senior management and to overview staff salaries in general. The executive directors do not participate in the discussion relating to their own remuneration.

## INDEPENDENT PROFESSIONAL ADVICE

Each director has the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. However prior approval of the Chairman is required, which will not be unreasonably withheld.

## INTERNAL CONTROL FRAMEWORK

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The system is based upon procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility and careful selection and training of qualified personnel.

## RISK ASSESSMENT AND MANAGEMENT

The Board as a group works towards identifying significant areas of risk. Where it is practically possible and financially cost effective action is taken as soon as practicable once a risk is identified.

## ETHICAL STANDARDS

The Company has in place a code of professional conduct which applies to all directors and employees. All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

# Independent Audit Report

To The Members of Amcom Telecommunications Limited

## Deloitte Touche Tohmatsu

### SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for both Amcom Telecommunications Limited (the company) and the consolidated entity, for the financial year ended 30 June 2003 as set out on pages 13 to 35. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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

### AUDIT APPROACH

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

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

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

The audit opinion expressed in this report has been formed on the above basis.

### INDEPENDENCE

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

### AUDIT OPINION

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

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



**DELOITTE TOUCHE TOHMATSU**



**PJ McIver**  
**Partner**  
Chartered Accountants

PERTH, WA  
30 September 2003

The liability of Deloitte Touche Tohmatsu is limited by, and to the extent of, the Accountants' Scheme under the Professional Standards Act 1994 (NSW).

# Directors' Declaration

The directors declare that:

- a) the attached financial statements and notes thereto comply with Accounting Standards;
- b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;
- c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- d) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



**Anthony J Grist**  
Director

PERTH, 30 September 2003

# Financial Statements

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

		Consolidated	Consolidated	Company	Company
	Note	2003	2002	2003	2002
		\$	\$	\$	\$
Revenue from Ordinary Activities					
Sales of Goods	2 (a)	381,072	855,172	-	-
Other revenue from ordinary activities					
- Operating Revenue	2 (b)	10,828,784	10,607,543	58,227	85,748
- Non Operating Revenue	2 (b)	-	6,176,694	-	-
<b>Total Sales &amp; Other Revenue from Ordinary Activities</b>		<b>11,209,856</b>	<b>17,639,409</b>	<b>58,227</b>	<b>85,748</b>
Expenses					
Cost of Sales - Goods	2 (a)	(296,134)	(755,630)	-	-
Network Expenses		(716,499)	(708,403)	-	-
Bandwidth Capacity		-	(3,153,365)	-	-
Labour & Related Expenses		(4,231,128)	(5,122,877)	(768,442)	(623,781)
Occupancy Expenses	2 (c)	(601,185)	(715,538)	(34,642)	(133,721)
Other expenses from ordinary activities		(1,349,846)	(2,772,776)	(375,055)	(552,220)
Earnings before interest, depreciation, amortisation and write downs		4,015,064	4,410,820	(1,119,912)	(1,223,974)
Borrowing Costs	2 (c)	(499,501)	(1,090,897)	(203,000)	(709,950)
Depreciation Expenses	2 (c)	(2,694,230)	(2,670,904)	(18,575)	(20,275)
Write up/(down) of non current assets	2 (d)	(12,772,036)	(1,625,156)	(11,084,812)	310,306
Amortisation of Goodwill on Consolidation	2 (c)	(475,596)	(564,999)	-	-
<b>(Loss) From Ordinary Activities Before Income Tax Expense</b>	<b>2</b>	<b>(12,426,299)</b>	<b>(1,541,136)</b>	<b>(12,426,299)</b>	<b>(1,643,893)</b>
Income tax expense relating to ordinary activities	3	-	(53,372)	-	-
<b>(Loss) From Ordinary Activities After Related Income Tax Expense</b>		<b>(12,426,299)</b>	<b>(1,594,508)</b>	<b>(12,426,299)</b>	<b>(1,643,893)</b>
Net (loss) attributable to outside equity interests		(10,595)	(35,280)	-	-
<b>Net Loss Attributable to Members of the Parent Entity</b>		<b>(12,415,704)</b>	<b>(1,559,228)</b>	<b>(12,426,299)</b>	<b>(1,643,893)</b>
<b>Total Changes in Equity Other than those Resulting from Transactions with Owners as Owners</b>	<b>23</b>	<b>(12,415,704)</b>	<b>(1,559,228)</b>	<b>(12,426,299)</b>	<b>(1,643,893)</b>
Earnings Per Share					
- Basic (cents per share)	24	(5.8)	(0.98)	-	-
- Diluted (cents per share)	24	(5.8)	(0.98)	-	-

Notes to the financial statements are included on pages 17 to 35

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

		Consolidated	Consolidated	Company	Company
	Note	2003	2002	2003	2002
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash	31(a)	1,386,461	2,175,476	778,201	2,188,683
Receivables	8	1,629,809	1,450,089	22,992	-
Inventories	9	1,667,023	1,297,056	-	-
Other	10	592,044	315,440	252,408	137,988
<b>Total Current Assets</b>		<b>5,275,337</b>	<b>5,238,061</b>	<b>1,053,601</b>	<b>2,326,671</b>
<b>Non-Current Assets</b>					
Other financial assets	11	562,087	13,164,121	42,716,218	50,523,652
Receivables	12	250,000	-	250,000	-
Property, plant and equipment	13	34,631,007	34,519,951	75,531	72,988
Intangibles	14	8,005,845	8,481,441	-	-
<b>Total Non-Current Assets</b>		<b>43,448,939</b>	<b>56,165,513</b>	<b>43,041,749</b>	<b>50,596,640</b>
<b>Total Assets</b>		<b>48,724,276</b>	<b>61,403,574</b>	<b>44,095,350</b>	<b>52,923,311</b>
<b>Current Liabilities</b>					
Payables	16	3,734,280	5,394,181	511,267	775,183
Interest-bearing liabilities	17	1,117,936	3,110,695	3,605	-
Tax liability	3	-	53,372	-	-
Provisions	18	172,200	240,690	6,226	-
<b>Total Current Liabilities</b>		<b>5,024,416</b>	<b>8,798,938</b>	<b>521,098</b>	<b>775,183</b>
<b>Non-Current Liabilities</b>					
Interest-bearing liabilities	19	3,105,146	556,419	3,014,923	135,296
Provisions	20	35,385	35,385	-	-
<b>Total Non-Current Liabilities</b>		<b>3,140,531</b>	<b>591,804</b>	<b>3,014,923</b>	<b>135,296</b>
<b>Total Liabilities</b>		<b>8,164,947</b>	<b>9,390,742</b>	<b>3,536,021</b>	<b>910,479</b>
<b>Net Assets</b>		<b>40,559,329</b>	<b>52,012,832</b>	<b>40,559,329</b>	<b>52,012,832</b>
<b>Equity</b>					
Contributed equity	22	60,403,548	74,235,431	60,403,548	74,235,431
Accumulated Losses	23	(19,844,219)	(22,213,080)	(19,844,219)	(22,222,599)
Parent entity interest		40,559,329	52,022,351	40,559,329	52,012,832
Outside equity interest		-	(9,519)	-	-
<b>Total Equity</b>		<b>40,559,329</b>	<b>52,012,832</b>	<b>40,559,329</b>	<b>52,012,832</b>

Notes to the financial statements are included on pages 17 to 35

**STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003**

		<b>Consolidated</b>	<b>Consolidated</b>	<b>Company</b>	<b>Company</b>
		<b>Inflows</b>	<b>Inflows</b>	<b>Inflows</b>	<b>Inflows</b>
		<b>(Outflows)</b>	<b>(Outflows)</b>	<b>(Outflows)</b>	<b>(Outflows)</b>
		<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Note</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Cash Flows Used In Operating Activities</b>					
Receipts from customers		11,523,488	13,453,149	-	-
Payments to suppliers and employees		(8,541,168)	(12,916,164)	(996,224)	(1,646,898)
Interest received		62,031	101,592	58,227	85,748
Interest and other costs of finance paid		(499,501)	(571,022)	(203,000)	(190,075)
GST refund		-	1,711,569	-	-
Income tax (paid)/received		1,199	(56,621)	-	-
Net cash provided by/(used in) operating activities	31 (d)	2,546,049	1,722,503	(1,140,997)	(1,751,225)
<b>Cash Flows Used In Investing Activities</b>					
Payment for investment into IP1 Holdings Pty Ltd		-	(9,360,356)	-	(9,360,357)
Amounts advanced to related parties		-	-	-	(1,542,742)
Payment for property, plant and equipment		(3,879,217)	(5,730,225)	(47,453)	(86,494)
Proceeds from sale of property, plant and equipment		-	12,272	-	-
Payment for acquisition of equity investments		(466,954)	-	(430,024)	-
Payment for acquisition of other non current assets		(422,260)	-	(422,260)	-
Loans to other entities		-	-	(3,107,268)	-
Cash disposed upon deconsolidation of IP1	31 (b)	-	(36,276)	-	-
Net cash used in investing activities		(4,768,431)	(15,114,585)	(4,007,005)	(10,989,593)
<b>Cash Flows Provided By Financing Activities</b>					
Proceeds from issues of equity securities		737,500	9,657,441	737,500	9,657,441
Payment for share issue costs		-	-	-	-
Proceeds from borrowings		3,000,019	9,784,204	3,000,020	7,600,000
Repayment of borrowings		(2,304,152)	(9,460,273)	-	(7,464,704)
Net cash provided by financing activities		1,433,367	9,981,372	3,737,520	9,792,737
<b>Net Increase In Cash Held</b>		<b>(789,015)</b>	<b>(3,410,710)</b>	<b>(1,410,482)</b>	<b>(2,948,081)</b>
<b>Cash At The Beginning Of The Financial Year</b>		<b>2,175,476</b>	<b>5,586,186</b>	<b>2,188,683</b>	<b>5,136,764</b>
<b>Cash At The End Of The Financial Year</b>	31 (a)	<b>1,386,461</b>	<b>2,175,476</b>	<b>778,201</b>	<b>2,188,683</b>

Notes to the financial statements are included on pages 17 to 35

## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

### 1. SUMMARY OF ACCOUNTING POLICIES

#### Financial Reporting Framework

The financial report is a general-purpose financial report which has been prepared in accordance with the Corporations Act 2001, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange of assets.

#### Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### Accounts Payable

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services.

#### Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

#### Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

#### Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and investment properties. Depreciation is calculated on a straight line basis so as to write off the net cost or other re-valued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following rates are used in the calculation of depreciation:

▶ Network Infrastructure	4- 20 %
▶ Leasehold improvements	5- 25 %
▶ Plant and equipment	10- 25 %
▶ Furniture and fittings	7- 25 %
▶ Motor vehicles	20 %

#### Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, and other employee entitlements expected to be settled within 12 months, are measured at their nominal values based on remuneration rates expected on settlement.

Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

## **Financial Instruments Issued by the Company**

### **Debt and Equity Instruments**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

### **Transaction Costs on the Issue of Equity Instruments**

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

### **Compound Instruments**

The component parts of compound instruments issued on or after 1 January 1998 are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. The liability component initially brought to account is the present value of the future payments of interest and principal. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

### **Interest and Dividends**

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

## **Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- a) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- b) for receivables and payables which are recognised inclusive of GST.

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

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

## **Goodwill**

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of 20 years.

## **Income Tax**

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets and deferred tax liabilities, as applicable.

At the date of this report, the Company has not made an election in respect of tax consolidations pursuant to the Income Tax Assessment Act 1997.

## **Interest-Bearing Liabilities**

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accruals basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

## **Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

## **Investments**

Investments in controlled entities and other investments are recorded at cost.

## **Leased Assets**

Leased assets classified as finance leases are capitalised as fixed assets. The amount initially brought to account is the present value of minimum lease payments.

A finance lease is one which effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Capitalised leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased asset are consumed.

## Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its controlled entities as defined in accounting standard AASB 1024 "Consolidated Accounts". A list of controlled entities appears in note 27 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

## Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

## Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

## Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have been discounted to their present value.

## Revenue Recognition

Revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

### i) Bandwidth Capacity

Revenue from a contract to provide bandwidth capacity is recognised on an accrual basis at the point where the bandwidth capacity has been provided and is in accordance with the contract terms.

### ii) Rendering of Services

Revenue from a contract to provide services is recognised at the point where the services have been provided in accordance with the contract terms.

### iii) Sale of Goods and Disposal of Assets

Revenue from sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

### iv) Interest Revenue

Interest revenue is recognised as it is earned on an accrual basis.

### v) Construction Contracts

Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the financial year plus the percentage of fees earned. Percentage of fees earned is measured by the proportion that costs incurred to date is in relation to the total estimated costs of the contract. Where a loss is expected to occur it is recognised immediately and a provision is made for both work in progress completed to date and for future work on the contract.

### vi) Dividend Revenue

Dividend revenue is recognised on a receivable basis.

## Changes in Accounting Policies

In accordance with Accounting Standard AASB 1028 'Employee Benefits', on 1 July 2002 the consolidated entity changed its policy for recognising provisions for employee benefits. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. There is no adjustment to the opening balance of retained losses as a result of this change in accounting policy.

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
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## 2. Loss From Ordinary Activities

Loss from ordinary activities before income tax includes the following items of revenue and expense:

### (a) Gross Profit on Sale of Goods

Sale of goods (i)	381,072	855,172	-	-
Cost of goods sold	(296,134)	(755,630)	-	-
Gross Profit on Sale of Goods	84,938	99,542	-	-

(i) Sale of goods represents sales of software and hardware through Rescue Technology Group Pty Ltd .

### (b) Total Other Revenue from Ordinary Activities

(i) Operating Revenue:				
Sale of bandwidth capacity	9,578,305	8,897,323	-	-
Rendering of services	1,097,688	1,229,147	-	-
Construction contract revenue	-	383,143	-	-
	10,675,993	10,509,613	-	-
Other Income	90,760	-	-	-
Interest Revenue	62,031	97,930	58,227	85,748
Total Operating Revenue	10,828,784	10,607,543	58,227	85,748
(ii) Non-Operating Revenue				
Gain on deconsolidation of IP1 Holdings Pty Ltd	-	6,175,978	-	-
Profit on sale of non-current assets - property, plant and equipment	-	716	-	-
Total Non-Operating Revenue	-	6,176,694	-	-
Total Sales & Other Revenue from Ordinary Activities	11,209,856	17,639,409	58,227	85,748

### (c) Expenses

Occupancy Expenses				
Occupancy Expenses - General	(279,630)	(432,442)	(34,642)	(133,721)
Occupancy Expenses - Equipment	(321,555)	(283,096)	-	-
	(601,185)	(715,538)	(34,642)	(133,721)
Borrowing costs				
Interest - Directors and Director related entities	(7,615)	(4,328)	(7,615)	-
Interest - Other entities	(491,886)	(1,086,569)	(195,385)	(709,950)
	(499,501)	(1,090,897)	(203,000)	(709,950)
Net bad and doubtful debts arising from:				
Other entities	(4,263)	(12,582)	-	-
Depreciation of non-current assets:				
Property, plant and equipment	(2,694,230)	(2,670,904)	(18,575)	(20,275)
Amortisation of non-current assets:				
Goodwill	(475,596)	(564,999)	-	-

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
<b>(d) Significant Items</b>				
Gain on deconsolidation of IP1 Holdings Pty Ltd (note 2(b)(ii))	-	6,175,978	-	-
Write back of non current assets	-	-	1,687,224	504,450
Write down of other non-current financial assets (ii)	(12,747,036)	-	(12,747,036)	-
Write down of other financial assets	(25,000)	(150,000)	(25,000)	(150,000)
Write down of intangible assets (i)	-	(1,475,156)	-	(44,144)
	(12,772,036)	(1,625,156)	(11,084,812)	310,306

(i) The Company wrote down goodwill associated with its subsidiary Rescue Technology Group Pty Ltd.

(ii) The Company wrote down its investment in IP1 Holdings Pty Ltd.

### 3. Income Tax

(a) The prima facie income tax expense on pre-tax accounting loss reconciles to the income tax expense in the financial statements as follows:

<b>Loss from Ordinary Activities</b>	(12,426,299)	(1,541,136)	(12,426,299)	(1,643,893)
Income tax expense calculated at 30% of operating loss	(3,727,890)	462,341	(3,727,890)	493,167
<b>Permanent Differences:</b>				
Amortisation of intangible assets	(142,679)	(626,875)	-	-
Depreciation on revaluation increments	(158,456)	(158,456)	-	-
Non-deductible expenses	(14,694)	(23,393)	(335)	(19,705)
Losses not brought to account as future income tax benefits (note (c))	(3,412,061)	346,383	(3,727,555)	(473,462)
	(3,727,890)	(462,341)	(3,727,890)	(493,167)
Under provision for Tax 30 June 2001	-	(53,372)	-	-
	(3,727,856)	(515,713)	(3,727,890)	(493,167)
Income tax expense attributable to operating profit	-	(53,372)	-	-
<b>(b) Current Tax Liabilities</b>				
Income tax payable	-	53,372	-	-
	-	53,372	-	-
<b>(c) Future income tax benefits not brought to account as assets at 30%:</b>				
Tax losses - revenue	1,376,328	3,870,622	1,063,284	3,857,861
Tax losses - capital	3,831,611	906,764	3,831,611	2,124,338
	5,207,939	4,777,386	4,894,895	5,982,199

The taxation benefits of tax losses and timing differences not brought to account will only be obtained if:

- i) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- ii) conditions for deductibility imposed by the law are complied with; and
- iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

As at the date of this report the directors have not assessed the financial effect, if any, the tax consolidation legislation may have on the Company and the consolidated entity and, accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity. The financial effect of the implementation of the tax consolidation system on the economic entity has not been recognised in the financial statements.

#### 4. Directors' Remuneration

The Directors during the year were:

- ▶ Mr. A. Grist
- ▶ Mr. I. Warner
- ▶ Mr. A. McLean
- ▶ Mr. E. Lee
- ▶ Mr. C. Stein
- ▶ Mr. P. Clifton
- ▶ Mr. M. Dooley

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Company</b>	<b>Company</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	\$	\$	\$	\$
The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors of the Company and/or associated companies controlled by them, directly or indirectly, by the Company or by any related party			542,988	434,393

The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all directors and/or associated companies controlled by them of each entity in the economic entity, directly or indirectly by the entities in which they are directors or by any related party

709,932	662,978
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<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>

The number of directors of the company whose total income falls within each successive \$10,000 band of income (commencing at \$0):

\$0 - \$9,999	2	1	2	1
\$10,000 - \$19,999	1	1	1	1
\$20,000 - \$29,999	1	-	1	-
\$50,000 - \$59,999	-	1	-	1
\$70,000 - \$79,999	-	1	-	-
\$150,000 - \$159,999	-	1	-	-
\$160,000 - \$169,999	1	1	-	1
\$170,000 - \$179,999	-	-	-	-
\$180,000 - \$189,999	1	-	1	-
\$200,000 - \$209,999	-	1	-	1
\$310,000 - \$319,999	1	-	1	-

#### 5. Executives' Remuneration

	<b>Consolidated</b>	<b>Consolidated</b>	<b>Company</b>	<b>Company</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	\$	\$	\$	\$

Aggregate remuneration of executive officers of the Company working mainly in Australia and receiving \$100,000 or more from the Company or from any related party

498,368	362,504
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Aggregate remuneration of executive officers of each entity in the economic entity working mainly in Australia and receiving \$100,000 or more from the entity for which they are executive officers or from any related party

665,312	520,269
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	2003 No.	2002 No.	2003 No.	2002 No.
The number of executive officers whose remuneration falls within each successive \$10,000 band of income (commencing at \$150,000):				
\$150,000 - \$159,999	-	1	-	-
\$160,000 - \$169,999	1	1	-	1
\$180,000 - \$189,999	1	-	1	-
\$200,000 - \$209,999	-	1	-	1
\$310,000 - \$319,999	1	-	1	-

## 6. Executive And Employee Share Option Plan ("ESOP")

The Company has an ownership based remuneration scheme for executives and employees in accordance with the provisions of the scheme, as approved by shareholders at the 2000 Annual General Meeting, the directors have the discretion to allocate options to purchase fully paid ordinary shares. The directors determine entitlements based on service and other criteria. The exercise price of the options is determined at the time of allocating the options.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from executives and employees is not recognised in these financial statements except for the purposes of determining directors' and executives' remuneration in respect of that financial year as disclosed in notes 4 and 5 to the financial statements.

The options issued under the ESOP are not listed on the Australian Stock Exchange.

	Company 2003 No.	Company 2002 No.
Movements in the number of share options pursuant to a remuneration scheme & held by directors are as follows:		
Opening balance (i)	1,375,000	1,375,000
Lapsed during the year (iii)	(1,000,000)	-
Closing balance (v)	375,000	1,375,000
Movements in the number of share options pursuant to a remuneration scheme & held by employees are as follows:		
Opening balance (i)	3,403,850	2,945,000
Granted during the year (ii)	-	1,428,850
Cancelled during the year (iv)	-	(970,000)
Closing balance (v)	3,403,850	3,403,850

### (i) Balance at Beginning of Financial Year

2003 Options-Series	No.	Grant Date	Expiry/ Exercise Date	Exercise Price \$
<b>Directors</b>				
(1) Issued 28 April 2000	1,000,000	28/04/00	30/06/03	1.50
(2) Issued 26 October 1999	375,000	26/10/99	31/12/04	0.80
	1,375,000			
<b>Other Employees</b>				
(3) Issued 12 January 2000	987,500	12/01/00	31/12/03	0.30
(3) Issued 12 January 2000	987,500	12/01/00	31/12/04	0.30
(4) Issued 31 March 2002	714,425	31/03/02	31/03/05	0.30
(4) Issued 31 March 2002	714,425	31/03/02	31/03/06	0.30
	3,403,850			

2002 Options-Series	No.	Grant Date	Expiry/ Exercise Date	Exercise Price \$
<b>Directors</b>				
(1) Issued 28 April 2000	1,000,000	28/04/00	30/06/03	1.50
(2) Issued 26 October 1999	375,000	26/10/99	31/12/04	0.80
	<u>1,375,000</u>			
<b>Other Employees</b>				
(3) Issued 12 January 2000	1,472,500	12/01/00	31/12/03	0.30
(3) Issued 12 January 2000	1,472,500	12/01/00	31/12/04	0.30
	<u>2,945,000</u>			

**(ii) Granted During the Financial Year**

2002 Options-Series	No.	Grant Date	Expiry/ Exercise Date	Exercise Price \$
<b>Other Employees</b>				
(4) Issued 31 March 2002	714,425	31/03/02	31/03/05	0.30
(4) Issued 31 March 2002	714,425	31/03/02	31/03/06	0.30
	<u>1,428,850</u>			

**(iii) Lapsed During the Financial Year**

The following equity-based instruments issued to directors have lapsed during the reporting period:

Options-Series	2003 No.	2002 No.
(1) Issued 28 April 2000	1,000,000	-
<b>Total Options Lapsed</b>	<u>1,000,000</u>	<u>-</u>

**(iv) Cancelled During the Financial Year**

The following equity-based instruments issued to employees have been cancelled during the reporting period:

Options-Series	2003 No.	2002 No.
(3) Issued 12 January 2000	-	970,000
<b>Total Options Cancelled</b>	<u>-</u>	<u>970,000</u>

Options series (3) were options to purchase ordinary shares for \$0.30. The options carry no voting or dividend rights.

**(v) Balance at End of Financial Year**

2003 Options-Series	No.	Grant Date	Expiry/ Exercise Date	Exercise Price \$
<b>Directors</b>				
(2) Issued 26 October 1999	375,000	26/10/99	31/12/04	0.80
	<u>375,000</u>			
<b>Other Employees</b>				
(3) Issued 12 January 2000	987,500	12/01/00	31/12/03	0.30
(3) Issued 12 January 2000	987,500	12/01/00	31/12/04	0.30
(4) Issued 31 March 2002	714,425	31/03/02	31/03/05	0.30
(4) Issued 31 March 2002	714,425	31/03/02	31/03/06	0.30
	<u>3,403,850</u>			

<b>2002 Options-Series Directors</b>	<b>No.</b>	<b>Grant Date</b>	<b>Expiry/ Exercise Date</b>	<b>Exercise Price \$</b>
(1) Issued 28 April 2000	1,000,000	28/04/00	30/06/03	1.50
(2) Issued 26 October 1999	375,000	26/10/99	31/12/04	0.80
	<u>1,375,000</u>			
<b>Other Employees</b>				
(3) Issued 12 January 2000	987,500	12/01/00	31/12/03	0.30
(3) Issued 12 January 2000	987,500	12/01/00	31/12/04	0.30
(4) Issued 31 March 2002	714,425	31/03/02	31/03/05	0.30
(4) Issued 31 March 2002	714,425	31/03/02	31/03/06	0.30
	<u>3,403,850</u>			

	<b>Consolidated 2003 \$</b>	<b>Consolidated 2002 \$</b>	<b>Company 2003 \$</b>	<b>Company 2002 \$</b>
<b>7. Remuneration of Auditors</b>				
<b>(a) Auditor of the Parent Entity</b>				
Auditing the financial report	48,400	42,900	48,400	42,900
	<u>48,400</u>	<u>42,900</u>	<u>48,400</u>	<u>42,900</u>
<b>8. Current Receivables</b>				
Trade receivables	1,606,942	1,485,253	-	-
Less: Allowance for doubtful debts	(4,263)	(35,164)	-	-
	<u>1,602,679</u>	<u>1,450,089</u>	<u>-</u>	<u>-</u>
Goods and services tax (GST) recoverable	27,130	-	22,992	-
	<u>1,629,809</u>	<u>1,450,089</u>	<u>22,992</u>	<u>-</u>
<b>9. Current Inventories</b>				
Raw materials - at cost	1,667,023	1,297,056	-	-
	<u>1,667,023</u>	<u>1,297,056</u>	<u>-</u>	<u>-</u>
<b>10. Other Current Assets</b>				
Prepayments	170,793	109,029	2,545	-
Deposits	19,944	124,203	-	-
Others	401,307	82,208	249,863	137,988
	<u>592,044</u>	<u>315,440</u>	<u>252,408</u>	<u>137,988</u>

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
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### 11. Other Non-Current Financial Assets

Shares in other entities	737,087	13,314,121	737,087	13,314,121
Less: write down of investment in other entities	(175,000)	(150,000)	(175,000)	(150,000)
Shares in controlled entities	-	-	31,152,109	31,152,001
Loans advanced to entities in wholly-owned group	-	-	13,502,037	10,608,353
Less: write down of loans and equity in controlled entities	-	-	(2,500,015)	(4,400,823)
	<u>562,087</u>	<u>13,164,121</u>	<u>42,716,218</u>	<u>50,523,652</u>

### 12. Non-Current Receivables

Other receivables	250,000	-	250,000	-
	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>

The above non-interest bearing receivable is part of an executive employee incentive scheme (note 29(d)).

### 13. Property, Plant and Equipment

	Consolidated Network Infrastructure \$	Consolidated Leasehold Improvements \$	Consolidated Plant & Equipment \$	Consolidated Furniture & Fittings \$	Consolidated Motor Vehicles \$	TOTAL \$
<b>Gross Carrying Amount</b>						
Balance at 30 June 2002	37,236,486	190,905	645,012	893,929	238,259	39,204,591
Additions	2,508,554	15,084	261,210	70,999	-	2,855,847
Disposals	-	-	-	-	(71,441)	(71,441)
Balance at 30 June 2003	<u>39,745,040</u>	<u>205,989</u>	<u>906,222</u>	<u>964,928</u>	<u>166,818</u>	<u>41,988,997</u>
<b>Accumulated Depreciation / Amortisation</b>						
Balance at 30 June 2002	4,015,374	32,111	224,582	314,617	97,956	4,684,640
Depreciation expense	2,349,210	39,183	115,256	170,005	20,576	2,694,230
Disposals	-	-	-	-	(20,880)	(20,880)
Balance at 30 June 2003	<u>6,364,584</u>	<u>71,294</u>	<u>339,838</u>	<u>484,622</u>	<u>97,652</u>	<u>7,357,990</u>
<b>Net Book Value</b>						
As at 30 June 2002	<u>33,221,112</u>	<u>158,794</u>	<u>420,430</u>	<u>579,312</u>	<u>140,303</u>	<u>34,519,951</u>
As at 30 June 2003	<u>33,380,456</u>	<u>134,695</u>	<u>566,384</u>	<u>480,306</u>	<u>69,166</u>	<u>34,631,007</u>

	Company Leasehold Improvements	Company Plant & Equipment	Company Furniture & Fittings	TOTAL
	\$	\$	\$	\$
<b>Gross Carrying Amount</b>				
Balance at 30 June 2002	1,960	10,661	97,759	110,380
Additions	-	18,745	2,373	21,118
Balance at 30 June 2003	1960	29,406	100,132	131,498
<b>Accumulated Depreciation</b>				
Balance at 30 June 2002	1,960	2,312	33,120	37,392
Depreciation expense	-	2,155	16,420	18,575
Balance at 30 June 2003	1960	4,467	49,540	55,967
<b>Net Book Value</b>				
As at 30 June 2002	-	8,349	64,639	72,988
As at 30 June 2003	-	24,939	50,592	75,531

- (i) The aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements
- (ii) Assets under finance lease included in the assets of the Consolidated Entity as at 30 June 2003 - Microwave and Other Equipment with a Net Book Value of: \$326,988 (2002: \$337,238).

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
<b>14. Intangibles</b>				
Goodwill - at cost	11,120,601	11,120,601	-	-
Write down of goodwill	(1,475,156)	(1,475,156)	-	-
Accumulated amortisation	(1,639,600)	(1,164,004)	-	-
	8,005,845	8,481,441	-	-

The aggregate amortisation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

#### 15. Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in notes 17 and 19 to the financial statements, effectively all assets of the wholly owned subsidiary Amcom Pty Ltd have been pledged as security.

The economic entity does not hold title to the equipment under finance lease pledged as security.

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
<b>16. Current Payables</b>				
Trade payables	1,194,310	3,242,596	208,152	775,183
Sundry creditors and accruals	2,539,970	2,151,585	303,115	-
	3,734,280	5,394,181	511,267	775,183

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
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## 17. Current Interest-Bearing Liabilities

Secured:

Bank loans - Bankwest (i)	920,000	2,950,000	-	-
Finance lease liabilities (note 26) (ii)	197,936	160,695	3,605	-
	1,117,936	3,110,695	3,605	-

(i) Secured by a fixed and floating registered debenture mortgage over the assets and undertakings of the operating subsidiary Amcom Pty Ltd by Bankwest. This liability was extinguished on the 8th August 2003.

(ii) Secured by assets leased, the current market value of which exceeds the value of the finance lease liability (note 13).

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
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## 18. Current Provisions

Employee entitlements (note 21)	172,200	240,690	6,226	-
	172,200	240,690	6,226	-

## 19. Non-Current Interest-Bearing Liabilities

Loans - Other	-	120,458	-	-
Convertible Notes - Director Related Entities (ii)	121,200	-	121,200	-
Convertible Notes - Other (ii)	2,878,820	-	2,878,820	-
Directors' loans	-	135,296	-	135,296
Finance lease liabilities (note 26) (i)	105,126	300,665	14,903	-
	3,105,146	556,419	3,014,923	135,296

(i) Secured by the assets subject to the lease the current market value of which exceeds the value of the finance lease liability (note 13).

(ii) On the 28th October 2002, the Company issued 2,500,000 notes at a face value of \$1.20 per note, bearing interest of 10% per annum. Each note is convertible into 10 fully paid ordinary shares and matures on the 28th October 2007.

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
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## 20. Non-Current Provisions

Employee benefits (note 21)	35,385	35,385	-	-
	35,385	35,385	-	-

## 21. Employee Benefits

The aggregate employee benefits liability recognised and included in the financial statements is as follows:

Provision for employee benefits:

Current (note 18)	172,200	240,690	6,226	-
Non-current (note 20)	35,385	35,385	-	-
	207,585	276,075	6,226	-

	2003 No.	2002 No.	2003 No.	2002 No.
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Number of employees at the end of financial year	55	54	-	-
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	Company 2003 \$	Company 2002 \$
<b>22. Contributed Equity</b>		
<b>Contributed Equity</b>		
221,348,368 fully paid ordinary shares (2002: 211,495,408)	74,235,431	70,581,665
Reduction of share capital (i)	(14,804,679)	-
Issue of shares (net of issue costs)	972,796	-
Exercisable options (net of issue costs)	-	3,653,766
	60,403,548	74,235,431

(i) The Company at the November 2002 AGM had approved and then proceeded to reduce its issued share capital by cancelling paid up share capital to the extent of 7 cents per share with the reduction applied against and in elimination of the Company's accumulated losses.

	Company 2003 No.	Company 2002 No.
<b>Fully Paid Ordinary Share Capital</b>		
Balance at beginning of financial year	211,495,408	106,535,066
Issue of shares	9,852,960	104,960,342
Balance at end of financial year	221,348,368	211,495,408

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
<b>23. Accumulated Losses</b>				
Balance at beginning of financial year	(22,213,080)	(20,653,852)	(22,222,599)	(20,578,706)
Reduction of share capital (i)	14,804,679	-	14,804,679	-
Transfer of minority interests upon acquisition	(20,114)	-	-	-
Net loss after tax attributable to members of the parent entity	(12,415,704)	(1,559,228)	(12,426,299)	(1,643,893)
Balance at end of financial year	(19,844,219)	(22,213,080)	(19,844,219)	(22,222,599)

(i) The Company at the November 2002 AGM had approved and then proceeded to reduce its issued share capital by cancelling paid up share capital to the extent of 7 cents per share with the reduction applied against and in elimination of the Company's accumulated losses.

	<b>Consolidated 2003 Cents per Share</b>	<b>Consolidated 2002 Cents per Share</b>
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#### 24. Earnings Per Share

Basic earnings per share	(5.8)	(0.98)
Diluted earnings per share	(5.8)	(0.98)

	<b>Consolidated 2003 \$</b>	<b>Consolidated 2002 \$</b>
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The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Earnings	(12,415,704)	(1,559,228)
----------	--------------	-------------

	<b>Consolidated 2003 No.</b>	<b>Consolidated 2002 No.</b>
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The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share

	215,019,191	158,500,785
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The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:

Directors options	375,000	1,375,000
Employee options	3,403,850	3,403,850
Listed options	93,971,619	84,907,259
Convertible notes	25,000,000	-
	122,750,469	89,686,109

#### Information Concerning the Classification of Securities

The options to purchase fully paid ordinary shares are considered to be potential ordinary shares and, therefore, have not been included in the determination of basic earnings per share. These securities are potentially included in the determination of diluted earnings per share on the basis that each option will convert to one ordinary share. Pursuant to Accounting Standard AASB 1027 "Earnings Per Share" none of the potential ordinary shares are considered dilutive and therefore basic earnings per share and diluted earnings per share are the same.

	<b>Consolidated 2003 \$</b>	<b>Consolidated 2002 \$</b>	<b>Company 2003 \$</b>	<b>Company 2002 \$</b>
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#### 25. Contingent Liabilities

(i) Bankwest has provided a contingent facility to provide bank guarantees on behalf of the Group	195,987	268,987	195,987	268,987
(ii) The Company has guaranteed the loans from Bankwest to its operating subsidiary, Amcom Pty Ltd	-	-	920,000	3,130,378
(iii) The Company had guaranteed a loan to its subsidiary Rescue Technology Group Pty Ltd	-	-	-	153,695
(iv) The Company is currently engaged in litigation with former owners of Rescue Technology Group Pty Ltd. The Company is suing them for damages and there is a corresponding claim by those parties against the group. The Company does not believe there will be any liability under this action.	1,526,000	-	1,526,000	-

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

## 26. Leases

### Finance Leases

#### Leasing arrangements

Finance leases relate to motor vehicles and equipment with lease terms of between 1 to 5 years. The consolidated entity has options to purchase the equipment for a nominal amount at the conclusion of the lease agreements.

#### Finance lease liabilities

No later than 1 year	209,926	182,679	14,903	-
Later than 1 year and not later than 5 years	121,061	310,993	7,365	-
Minimum finance lease payments	330,987	493,672	22,268	-
Less future finance charges	(27,925)	(32,312)	(3,760)	-
Present value of minimum lease payments	303,062	461,360	18,508	-
Included in the financial statements as:				
Current interest bearing liabilities (note 17)	197,936	160,695	3,605	-
Non-current interest bearing liabilities (note 19)	105,126	300,665	14,903	-
	303,062	461,360	18,508	-

The finance lease liabilities are secured over the leased assets.

### Operating Leases

#### Non-cancellable operating leases

Not longer than 1 year	879,665	462,265	-	-
Longer than 1 year and not longer than 5 years	428,497	1,177,876	-	-
Longer than 5 years	-	81,567	-	-
	1,308,162	1,721,708	-	-

#### Leasing arrangements

Operating leases relate to office premises and telecommunications access to buildings with lease terms of between 3 to 7 years. The majority of the operating leases contain market review clauses in the event that the Economic Entity exercises its options to renew. The Economic Entity does not have an option to purchase the leased assets at the expiry of the leased period.

## 27. Controlled Entities

Name of Entity	Country of Incorporation	Ownership Interest	Ownership Interest
		2003 %	2002 %
<b>Parent Entity</b>			
Amcom Telecommunications Limited	Australia		
<b>Controlled Entities</b>			
Amcom Pty Ltd	Australia	100	100
Rescue Technology Group Pty Ltd	Australia	100	80
Future Proof Technologies (WA) Pty Ltd	Australia	100	100

All controlled entities are small proprietary companies and, in accordance with the Corporations Act 2001, are relieved from the requirements to prepare, audit and lodge a financial report.

### (i) Rescue Technology Group Pty Ltd

The Parent Entity completed the acquisition of the remaining 20% of the issued capital in this company in January 2003 at a cost of \$108.

### (ii) Future Proof Technologies (WA) Pty Ltd

This company does not trade but holds 50% of the issued capital of Amcom Pty Ltd. The other 50% is held by the Parent Entity.

## 28. Segment Information

The consolidated entity operates in only one business and one geographical segment, being the provision of broadband carrier services in Australia. The activity during the year also include the development of major high speed technology links and the supply of last mile fibre optic network roll outs in Australia.

## 29. Related Party Disclosures

### (a) Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 27 to the financial statements.

### (b) Directors' Remuneration and Retirement Benefits

Details of directors' remuneration and retirement benefits are disclosed in note 4 to the financial statements.

### (c) Related Party Transactions With Directors and Director Related Entities

Transactions with director related entities during the year and amounts receivable from and payable to director related entities occurred within normal customer and supplier relationships on terms and conditions no more favourable than those available to or from other arms length customers and suppliers in the same circumstances. Director related entities include IP1 Holdings Pty Ltd and its subsidiary, a company which has Messrs McLean and Clifton as directors; Amnet Ltd and its group which has Mr. Lee as a director and Australia Post which has Mr. Warner as a director during the financial year.

### (d) At a general meeting of the Company, the Company approved an executive employee incentive scheme share plan for the Managing Director Mr. Eddy Lee whereby the Company issued Mr. Lee 2,500,000 shares at 10 cents funded by company loan of \$250,000. The loan is disclosed at other non-current receivable (note 12).

	<b>Fully Paid 2003 No.</b>	<b>Fully Paid 2002 No.</b>
<b>(e) Directors' Equity Holdings</b>		
<b>Ordinary Shares</b>		
Issued during the financial year to directors and their director-related entities by Amcom Telecommunications Ltd as part of a shareholders entitlements issue in January 2002 at 10¢ per share. Approved for issue on 26th September 2002 at a general meeting. All shares issued to directors and director related entities were for consideration on the same terms and conditions issued to other subscribers pursuant to a rights issue.	4,852,960	11,303,375
	4,852,960	11,303,375
Held as at the reporting date by directors and their director-related entities in Amcom Telecommunications Ltd.	43,661,910	40,618,950
	43,661,910	40,618,950
	<b>Options 2003 No.</b>	<b>Options 2002 No.</b>
<b>(f) Options</b>		
Issued during the financial year to directors and their director-related entities by Amcom Telecommunications Limited for consideration. These were options attaching on the basis of 1:2 to shares issued and discussed at note 29(e).	676,480	4,008,510
	676,480	4,008,510
Held as at the reporting date by directors and their director-related entities in Amcom Telecommunications Ltd	11,956,011	12,942,034
	11,956,011	12,942,034
	<b>Convertible Notes 2003 No.</b>	<b>Convertible Notes 2002 No.</b>
<b>(g) Convertible Notes</b>		
Issued during the financial year to directors and their director related entities by Amcom Telecommunications Ltd.	101,000	-
	101,000	-
	<b>Convertible Notes 2003 \$</b>	<b>Convertible Notes 2002 \$</b>
Liability in relation to the above convertible notes	121,000	121,000
	121,000	121,000

### 30. Subsequent Events

- (a) On the 8th August 2003 the economic entity settled an \$8.28 million funding facility with Ausdrill Ltd which repaid the outstanding debt liabilities to Bankwest.

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
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### 31. Notes To The Statement Of Cash Flows

#### (a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash	1,386,461	2,355,854	778,201	2,188,683
Bank overdraft	-	(180,378)	-	-
	1,386,461	2,175,476	778,201	2,188,683

#### (b) Net Cash Outflow on Deconsolidation

Cash balance disposed on deconsolidation of IP1	-	(36,276)	-	-
	-	(36,276)	-	-

#### (c) Financing Facilities

Secured loan facilities with various maturity dates through to 2003 and which may be extended by mutual agreement:

amount used	920,000	3,130,378	-	-
amount unused	550,000	369,622	-	-
	1,470,000	3,500,000	-	-

#### (d) Reconciliation of Profit From Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities

Loss from ordinary activities after related income tax	(12,426,299)	(1,594,508)	(12,426,295)	(1,643,893)
Profit on disposal of non current assets	-	716	-	-
Write down of non current assets	12,772,036	-	12,772,036	-
Write (back)/down in investment value	-	1,625,156	(1,687,224)	(310,306)
Depreciation of non-current assets	2,694,230	2,595,708	44,910	20,275
Amortisation of other assets	26,280	75,194	-	-
Amortisation of goodwill	475,596	564,999	-	-
(Increase)/decrease in assets:				
current receivables	(171,598)	943,174	-	-
current inventories	-	64,776	-	-
other	(153,179)	(90,712)	94,403	(38,397)
Increase/(decrease) in liabilities:				
current trade payables	(1,397,746)	(3,792,977)	(217,575)	(161,570)
Other	726,729	1,330,977	278,748	382,666
Net cash from (used in) operating activities	2,546,049	1,722,503	(1,140,997)	(1,751,225)

### 32. Financial Instruments

#### (a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

#### (b) Interest Rate Risk

2003	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturity			Non-Interest Bearing \$	Total \$
			Less than 1 Year \$	1 to 5 Years \$	More than 5 Years \$		
<b>Financial Assets</b>							
Cash	3.75	1,386,461	-	-	-	-	1,386,461
Receivables	-	-	-	-	-	1,629,809	1,629,809
Deposit (note 10)	-	-	-	-	-	592,044	592,044
		1,386,461	-	-	-	2,221,853	3,608,314
<b>Financial Liabilities</b>							
Payables	-	-	-	-	-	3,734,280	3,734,280
Bank loans (note 17)	7.00	920,000	-	-	-	-	920,000
Finance lease Liabilities (note 26)	8.00	303,062	-	-	-	-	303,062
Convertible notes (note 19)	10.00	-	-	3,000,020	-	-	3,000,020
		1,223,062	-	3,000,020	-	3,734,280	7,957,362
<b>2002</b>							
<b>Financial Assets</b>							
Cash	1.80	2,175,476	-	-	-	-	2,175,476
Receivables	-	-	-	-	-	1,450,089	1,450,089
Deposits (note 10)	-	-	-	-	-	315,440	315,440
		2,175,476	-	-	-	1,765,529	3,941,005
<b>Financial Liabilities</b>							
Payables	-	-	-	-	-	5,394,181	5,394,181
Bank loans (note 17 & 19)	7.00	2,950,000	-	-	-	-	2,950,000
Finance lease Liabilities (note 26)	8.00	461,360	-	-	-	-	461,360
		3,411,360	-	-	-	5,394,181	8,805,541

#### (c) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity. The economic entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The economic entity measures credit risk on a fair value basis.

The economic entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

#### (d) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

## ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 26 SEPTEMBER 2003

### Distribution of Holders of Equity Securities

	Fully Paid Ordinary Shares	Options	Convertible Notes
1 - 1,000	648	614	-
1,001 - 5,000	1779	857	6
5,001 - 10,000	819	274	23
10,001 - 100,000	1430	420	44
100,001 and over	252	111	5
	<hr/>	<hr/>	<hr/>
	4928	2276	78
	<hr/>	<hr/>	<hr/>
Number of shareholders holding less than a marketable parcel	1810	1264	1
	<hr/>	<hr/>	<hr/>

### SUBSTANTIAL SHAREHOLDERS

Ordinary Shareholders	Fully Paid Number	Fully Paid Percentage
Mr. Andrew Mclean	27,499,999	12.42
Ausdrill International Pty Ltd	15,500,000	7.00

## TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

<b>Ordinary Shareholders</b>	<b>Fully Paid Number</b>	<b>Fully Paid Percentage</b>
Mr. Andrew Mclean	27,499,999	12.42
Ausdrill International Pty Ltd	15,500,000	7.00
Oaktone Nominees Pty Ltd	9,054,376	4.09
National Nominees Ltd	9,015,312	4.07
Truat Pty Ltd	3,500,000	1.58
Mr. Ray John Wilson	3,259,125	1.47
Mr. Jamie Phillip Boyton	3,050,000	1.38
Mr. John O'Rourke	2,859,125	1.29
Mr. John O'Rourke & Mrs Patricia O'Rourke	2,700,000	1.22
Mr. Eddy Yip Hang Lee	2,500,000	1.13
Commonwealth Custodial Services Ltd	2,400,000	1.08
HSBC Custody Nominees	2,031,000	0.92
Mr. Peter John Clifton & Mrs Elizabeth Susan Clifton	1,749,999	0.79
Mr. Malcolm Scott Macintyre	1,559,250	0.70
Mr. Mark Jonathan Dooley	1,425,000	0.64
Castrum Pty Ltd	1,350,000	0.61
Mr. Trevor Mulroney	1,328,000	0.60
SJL Investment Holdings Pty Ltd	1,249,997	0.56
Bond Street Custodians Limited	1,093,255	0.49
Niako Investments Pty Ltd	1,071,000	0.48
	94,195,438	42.52

## TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

<b>Optionholders</b>	<b>Options Number</b>	<b>Options Percentage</b>
Mr. Andrew McLean	7,500,000	8.76
Mr. John O'Rourke	5,529,563	6.46
Mr. Ray John Wilson	5,245,495	6.13
Oaktone Nominees Pty Ltd	3,013,595	3.52
Diversified Services Australia	2,950,000	3.45
Markby Holdings	2,056,231	2.40
Mr. David Paul Goulding	2,000,000	2.34
Mr. Peter Murray Cleaver	1,504,301	1.76
Jestar Pty Ltd	1,500,000	1.75
Ms Bernadette Margaret Belsey	1,140,000	1.33
Mr. Anthony Douglas Woolhouse & Mrs Beverley Anne Woolhouse	1,100,000	1.29
Longfellow Nominees Pty Ltd	1,000,000	1.17
M & K Korkidas Pty Ltd	1,000,000	1.17
Sandlir Pty Ltd	920,602	1.08
Mr. Peter John Clifton & Mrs Elizabeth Susan Clifton	875,000	1.02
Fopar Nominees Pty Ltd	835,000	0.98
Reef Securities Limited	790,789	0.92
Mr. Malcolm Scott MacIntyre	779,626	0.91
Mr. Jackie Mastorides	750,000	0.88
Niako Investments Pty Ltd	748,750	0.87
	<hr/>	
	41,238,952	48.19
	<hr/>	

## TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

<b>Convertible Note Holders</b>	<b>Notes Number</b>	<b>Notes Percentage</b>
Westpac Custodial Nominees	417,000	16.68
Instanz Nominees Pty Ltd	250,000	10.00
K P L Limited	245,131	9.81
MHGD Pty Limited	126,000	5.04
Dudley Road Investments Pty Ltd	124,999	5.00
Marble Hill Investments Limited	83,000	3.32
Capital Telecommunications Pty Ltd	76,000	3.04
Mr. Donald Norman Coultas	50,000	2.00
Tower Trust Limited	50,000	2.00
Averon Holdings Limited	42,000	1.68
Seydor Limited	42,000	1.68
J E Barrett Equities Pty Ltd	41,650	1.67
Ms Betty Jeanette Moore	40,000	1.60
Mrs Dorothy Elsie Moore	40,000	1.60
Mrs Renata Gray	30,330	1.21
Mr. Phillip Colin Hammond	30,000	1.20
Mr. Alan Thynne & Mrs Judith Thynne	29,155	1.17
Oaktone Nominees Pty Ltd	25,000	1.00
Mr. Karl Matacz & Mrs Anne Patricia Matacz	22,000	0.88
Accomplished Gas & Mechanical Services Pty Ltd	20,000	0.80
	1,784,265	71.38

**Company Secretary**

Mr. Karl Matacz MBA CPA

**Principal Registered Office**

43 King Edward Road, Osborne Park, WA, 6017

**Principal Administration Office**

43 King Edward Road, Osborne Park, WA, 6017

**Share Registry**

Computershare Investor Services Pty Limited

Level 2 Reserve Bank Building

45 St George's Terrace Perth WA 6000

**Stock Exchange Listings**

Amcom Telecommunications Limited's ordinary shares are quoted on the Australian Stock Exchange Limited (ASX:AMM).

Amcom Telecommunications Limited's options exercisable at 30 cents by the 31st January 2004 are quoted on the Australian Stock Exchange Limited (ASX:AMMOA).

Amcom Telecommunications Limited's convertible notes are quoted on the Australian Stock Exchange Limited (ASX:AMMG).



## CORPORATE DIRECTORY

### Head Office

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Email: [amcom@amcom.com.au](mailto:amcom@amcom.com.au)  
Website: [www.amcom.com.au](http://www.amcom.com.au)

### Share Registry

Computershare Investor Services  
Pty Limited  
Level 2, Reserve Bank Building,  
45 St George's Terrace, Perth  
WA 6000 AUSTRALIA

Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033

### Company Secretary

Karl Matacz

### Auditors

Deloitte Touche Tohmatsu  
Level 16, 152 St George's Terrace  
PERTH WA 6000 AUSTRALIA

### Home Stock Exchange Perth

Exchange Plaza  
2 The Esplanade  
PERTH WA 6000 AUSTRALIA

### Solicitors

Corrs Chambers Westgarth  
150 St George's Terrace  
PERTH WA 6000 AUSTRALIA

### ASX Code

AMM (fully paid ordinary shares)  
AMMOA (30 cent 31 January 2004 options)  
AMMG (convertible note 28 October 2007)

### Australian Business Number

Amcom Telecommunications Limited  
ABN: 20 062 046 217

**Head Office**

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**Amcom**  
Telecommunications