

Amcom Telecommunications Limited

ACN 062 046 217

Financial Report for the Financial Year Ended
30 June 2004

Amcom Telecommunications Limited

ANNUAL FINANCIAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

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Amcom Telecommunications Ltd

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS

This statement outlines the corporate governance practices adopted by the directors of Amcom Telecommunications Limited. The directors are committed to protecting shareholders' interests and keeping investors fully informed about the performance of the company.

Directors

The directors have undertaken to perform their duties with honesty, integrity, care and diligence, according to the law, and in a manner that reflects good corporate governance.

The primary responsibilities of the board include:

- the establishment of long-term goals for the company and the development of strategic plans to achieve those goals;
- evaluation of opportunities for value-creating growth;
- appointment of the Chief Executive;
- assessment of management performance, measured against clearly identified objectives;
- preservation of the integrity and credibility of Amcom Telecommunications Limited's businesses;
- prudent management of shareholders' funds;
- approval of short and long term business plans;
- ensuring the composition of the Board is appropriate, selecting directors for appointment to the board, and reviewing the performance of the board and the contributions of individual directors;
- review of executive remuneration and incentive policies;
- ensuring that there are effective safety, health and environmental procedures in place;
- approval of annual and half-year financial reports; and
- to ensure that management has in place appropriate processes to ensure adequate manning and remuneration levels for maximising retention of intellectual capital.

The Managing Director/Chief Executive officer (CEO) is responsible to the Board for the day-to-day management of the company. The relationship between the Board and management is crucial to the company's long term success. The separation of responsibilities between the Board and management is clearly understood and respected.

This statement outlines the principal corporate governance practices followed by the company.

Composition of the Board

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

Name	First Appointed	Non-Executive	Independent
Mr. A Grist	1997	No	No
Mr. E Lee	2000	No	No
Mr. C Stein	2000	No	No
Mr. A McLean	2000	Yes	No
Mr. P Clifton	1999	Yes	No
Mr. I Warner	1994	Yes	Yes
Mr. R Sayers	2003	Yes	No
Mr. A Davies	2003	Yes	No
Mr. C Ferguson	2003	Yes	No

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Mr. McLean is a non-executive director. He does not meet the criteria for independence included in the ASX Best Practice Recommendations due to substantial shareholding in the company and due to his ongoing assistance and advice provided on a consulting basis in relation to various projects. In all other aspects Mr. McLean has no material business or contractual relationship with the company, other than as director, and no conflicts of interest that could interfere with the exercise of independent judgment.

Mr. Clifton is a non-executive director. He does not meet the criteria for independence included in the ASX Best Practice Recommendations due to his ongoing assistance and advice provided on a consulting basis in relation to various projects. In all other aspects Mr. Clifton has no material business or contractual relationship with the company, other than as director, and no conflicts of interest that could interfere with the exercise of independent judgment.

Mr. Sayers is a non-executive director. He does not meet the criteria for independence included in the ASX Best Practice Recommendations due to his role as Managing Director of Ausdrill Limited which has a loan agreement in place and provides substantial services to the company. In all other aspects Mr. Sayers has no material business or contractual relationship with the company, other than as director, and no conflicts of interest that could interfere with the exercise of independent judgment.

Mr. Davies is a non-executive director. He does not meet the criteria for independence included in the ASX Best Practice Recommendations due to his association with Futuris Corporation Limited who hold a substantial shareholding in the company. In all other aspects Mr. Davies has no material business or contractual relationship with the company, other than as director, and no conflicts of interest that could interfere with the exercise of independent judgment.

Mr. Ferguson is a non-executive Director. He does not meet the criteria for independence included in the ASX Best Practice Recommendations due to his association with Futuris Corporation Limited who hold a substantial shareholding in the company. In all other aspects Mr. Ferguson has no material business or contractual relationship with the company, other than as director, and no conflicts of interest that could interfere with the exercise of independent judgment.

The ASX Best Practice Recommendations suggest a majority of the Board be independent directors, with the Chairman being independent and also not holding the role of CEO. However, the Board believes that as currently constituted it has the range of skills, knowledge and experience necessary to effectively govern the company. In addition, it should be noted that the current Executive Chairman is a substantial and longstanding shareholder of the company and, as such, is able to clearly identify with the interests of shareholders as a whole. The skills, experience and expertise of directors are set out on pages 7-8 in the Directors' Report.

The composition of the board is reviewed regularly and is determined using the following principles:

- the Board should comprise directors who have the requisite skills and expertise, both nationally and internationally, appropriate to guide the company's operations and development;
- a director (other than the Managing Director) may not retain office for more than three years without submitting for re-election; and
- at the Annual General Meeting each year effectively one third of the directors in office (other than the Managing Director) retire by rotation and must seek re-election by the shareholders.

Shareholders

The shareholders of the company elect directors at the Annual General Meeting in accordance with the Company's Constitution. All Directors, apart from the Managing Director, are subject to re-election by rotation within three years.

The Annual General Meeting is held in Perth, Western Australia where the company is based. Shareholders have the opportunity to express their views, ask questions about company business and vote on items of business for resolution by shareholders at the Annual General Meeting.

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Communication with Shareholders and the Market

Amcom Telecommunications Limited is committed to complying with the continuous disclosure obligations of the Corporations Act and the Australian Stock Exchange Listing Rules. The company does not currently have written policies and procedures designed to ensure compliance with those obligations (as suggested by the ASX Best Practice Recommendations) due to only the Executive Chairman, Managing Director/CEO and Company Secretary being authorized to respond to investor relation matters. Other members of the executive management team must seek approval from the Executive Chairman or Managing Director/CEO prior to responding to investor relation matters.

Amcom Telecommunications Limited keeps shareholders and the market regularly informed through the annual, and half yearly. The company otherwise discloses material developments to the Australian Stock Exchange (ASX) and the media as required.

From time to time, briefings are arranged to give analysts and others who advise shareholders an understanding of the company activities. In conducting briefings, the company takes care to ensure that any price sensitive information released is made available to all shareholders (institutional and private) and the market at the same time. These announcements are lodged with the ASX and then posted on the company's website at www.amcom.com.au. This information is also released by email to all persons who have requested their name be added to the contact database.

The board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification of the company's strategies and goals. Important issues are presented to the shareholders as single resolutions. The Board is responsible to the shareholders and the shareholders are responsible for voting on the appointment of directors.

Corporate Reporting

The Executive Chairman and Managing Director/CEO have made the following certifications to the Board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and consolidated entity and are in accordance with relevant legislation and accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board, and that the company's risk management and internal compliance and controls are operating efficiently and effectively in all material respects.

Board Committees

To assist in the execution of its responsibilities, the board has established two committees:

- the Audit Committee; and
- the Remuneration Committee.

Both committees are comprised wholly of non-executive directors and have formal charters approved by the board. The Company Secretary provides secretarial services for the Audit Committee and the Remuneration Committee. Regular reports of each committee's activities are given to the board and minutes are circulated to all directors.

Audit Committee

The Audit Committee during the year consisted of the following non-executive Directors:

Mr. I Warner (Chairman)
Mr. P Clifton

The ASX Best Practice Recommendations require only non-executive directors, at least three members to be on this committee and that the majority of those members are independent. Therefore Mr. A Davies was appointed to the Audit Committee on 24 August 2004. Given the composition of the board, only one member of the Audit Committee is an independent Director.

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Details of the above-mentioned directors' qualifications and attendance at Audit Committee meetings are set out in the Directors' Report on pages 7 to 8.

The main responsibilities of the Audit Committee, as detailed in its Charter include:

- Determine that no management restrictions are being placed on the external auditors;
- Evaluate the adequacy and effectiveness of the company's administrative and operating policies through active communication with operating management;
- Evaluate the adequacy of the company's accounting control system by reviewing reports from the external auditors;
- Monitor management's responses and actions to correct any noted deficiencies;
- Review any regulatory reports submitted to the company, and management's responses to them;
- Evaluate the company's exposure to fraud;
- Take an active interest in ethical considerations regarding the company's policies and practices;
- Monitor the standard of corporate conduct, including such issues as arms-length dealing and conflict of interest;
- Require reports from management, external auditors on any significant proposed regulatory, accounting or reporting issue to assess the potential impact upon the company's financial reporting process.

Remuneration Committee

The Remuneration Committee consists of the following non-executive directors:

Mr. P Clifton (Chairman)
Mr. I Warner
Mr. A McLean

Details of the above-mentioned directors' qualifications and attendance at Remuneration Committee meetings are set out in the Directors' Report on pages 7 to 8.

The main responsibilities of the Remuneration Committee are as follows:

- Develop and implement a policy relating to remuneration, and other terms and conditions of service, of executive and non-executive directors, gain policy approval from the Board and oversee the application of the policy;
- Develop and implement a policy relating to remuneration and other terms and conditions of service, of staff, gain policy approval from the Board. The Committee's primary focus is on the remuneration of senior executive management, although it is not limited to this;
- Assist the Chairman of the board in the succession planning aspects of the board of directors;
- Review the way the Board and Committees function.

Nomination Committee

The functions to be performed by a Nomination Committee as suggested under the ASX Best Practice Recommendations are currently performed by the full Board. Having regard to the number and balance of skills, experience and expertise of directors currently comprising Amcom's Board, the Board will review the delegation of these responsibilities to a committee.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The Audit Committee reviews the performance of the external auditor annually. Deloitte Touche Tohmatsu, who are the current external auditors, have a policy of rotating the audit partner at least every five years.

The external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

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Independent Professional Advice

All Directors have the right of access to relevant Company information and the Company's executives and, subject to prior consultation with the Chairman, may at the Company's expense seek independent professional advice regarding their responsibilities.

Board Process, Performance Review and Remuneration

Historically, due to its size and composition the Board has undertaken only an informal review of its performance in meeting its key responsibilities. The Board plans to carry out a formal review of its performance prior to the end of 2004.

The purpose of the formal review will be to identify any areas of weakness and mechanisms for improving the functioning and performance of the Board and its relationship with management, and to consider progress made towards attaining specific performance objectives. The specific evaluation process is being developed.

Non-executive Directors are remunerated by a fixed Director's fee, as permitted by the Company's Constitution. The Executive Chairman, Executive Directors and senior executives of the company receive salary, benefits and incentives as part of their remuneration package as detailed in the Directors' Report. The incentives comprise short-term cash incentives linked to performance of both the executive and the Company, long-term option and share incentives. An employee option plan is in place and was approved by shareholders at the 2000 Annual Meeting of the Company.

The board also carries out an annual review of the performance of key executives. This is undertaken as part of the salary review process carried out for all staff, which has regard to performance, market conditions, agreed position descriptions and other relevant factors. Further information on directors' and executives' remuneration is set out in the Directors' Report and note 4 to the financial statements.

Internal Controls and Management of Risk

The operation of internal controls and the management of risk are important in the creation and preservation of shareholder value and is a high priority for the Board and management.

The company has a framework in place to safeguard the Company's assets and interests and ensure that business risks are identified and properly managed. This includes procedures and limits to manage financial risk. To assist in discharging this responsibility the board has in place a control framework which includes the following:

- a comprehensive annual business plan, approved by the Directors, incorporating financial and non-financial key performance indicators;
- regular reporting to the board on a number of key areas including legal matters;
- the adoption of clearly defined guidelines for operating and capital expenditure, including annual budgets, detailed review procedures, and levels of authority;
- the segregation of duties (where possible); and
- a comprehensive insurance program.

Ethical Standards

The ASX Best Practice Recommendations suggest the establishment of a code of conduct for directors, the CEO and other key executives. At present the company does not have a written code of conduct due to its size and the system of internal controls currently in place. However, the introduction of a code of conduct for Directors, the CEO, management and employees which establishes procedures and guidelines to ensure that the highest ethical standards, corporate behaviour and accountability are maintained is under consideration.

Notwithstanding this, the company operates in accordance with its Vision and Mission Statements.

Vision Statement

Vision

Amcom's vision is to become the leading broadband solution provider in Perth, Adelaide and Darwin through product innovation and service delivery excellence.

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Vision Statement (cont'd)

In order to fulfill this Vision, the Company mission will be:

- To maintain a strong customer focus and employee support, recognizing that through high standards, creativity and commitment, our company will prosper;
- To achieve and deliver superior returns on shareholders' investment through sound financial management practices and operating disciplines.

Dealings In Securities

The company has yet to adopt a policy in relation to dealings in securities of the company which applies to all directors, executives and other employees. However, directors are prohibited from buying or selling Amcom Telecommunications Limited shares at any time if they are aware of price sensitive information that has not been made public. In accordance with the Corporations Act and the Listing Rules of the Australian Stock Exchange, directors must advise the company of any transactions conducted by them in shares in the company, which then informs the ASX of the details of the transaction.

The board of directors consists of an Executive Chairman, two Directors, Executives and six Non-executive Directors. Given the current size of the company a board of nine 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.

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DIRECTORS' REPORT

The directors of Amcom Telecommunications Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2004. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

Mr. Anthony GRIST *Executive Chairman*

Aged 41, 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.

Mr. Ian WARNER *Non-executive Deputy Chairman*

Aged 67, joined the Board in 1994. Mr. Warner has practiced as a commercial lawyer for over 25 years. He is also a Director of Australia Post, Cape Bouvard Investments Pty Ltd and Rivaknar Properties (WA) Pty Ltd (a wholly owned subsidiary of two public companies).

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

Aged 50, 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).

Mr. Clive STEIN *Director and Chief Operating Officer*

Aged 43, joined the Board in 2000. Mr. Stein has over 20 years international experience in the electronics, computer and communications industries. He joined Amcom as General Manager in 1999 and was subsequently appointed to Chief Operating Officer. Mr Stein's previous positions included various senior management roles in leading computer and electronic companies. His career, which commenced in the electronics industry in South Africa, has also included a number of engineering positions.

Mr. Andrew McLEAN *Non-executive Director*

Aged 45, 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, South America and South East Asia. Mr. McLean also had extensive involvement in the design and implementation of optical fibre networks and associated equipment.

Mr. Peter CLIFTON *Non-executive Director*

Aged 53, 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.

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DIRECTORS' REPORT

Mr. Ronald SAYERS *Non-executive Director*

Aged 52, joined the Board in 2003. He is the Managing Director of Ausdrill Ltd having founded the company in 1987. 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.

Mr. Chris FERGUSON *Non-executive Director*

Aged 51, joined the Board in 2003. He is the General Manager in Information Systems of Elders Ltd. Mr. Ferguson is a qualified industrial engineer with extensive experience in process improvements and productivity methods. With Elders Ltd, he has had 20 years of experience at both the operational and information systems level, in particular with network communications.

Mr. Anthony DAVIES *Non-executive Director*

Aged 55, joined the Board in 2003. He is a Chartered Accountant and has been an executive of Futuris Corporation Limited since 1989, as the Chief Financial Officer for 11 years and latterly as Executive Director, Director of Integrated Tree Cropping Limited and Chairman of Australian Plantation Timber Limited. Previously he worked in areas of financial and risk management with public companies in Europe, North America and Australia.

The following directors were appointed during the financial year:

- Mr. R Sayers – Appointed 19 August 2003
- Mr. A Davies – Appointed 15 October 2003
- Mr. C Ferguson – Appointed 28 November 2003

PRINCIPAL ACTIVITIES

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

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

On 1 October 2003, the company acquired Hailian International Ltd's (formerly known as Amnet Ltd) ISP and IT business for consideration of \$2,143,000 as detailed in note 30 and 33(b) to the financial statements.

There were no other significant changes in the state of affairs of the consolidated entity.

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SUBSEQUENT EVENTS

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

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

DIVIDENDS

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

The directors recommend the payment of a 0.25 cents per ordinary share fully franked final dividend in respect of the financial year ended 30 June 2004.

The final dividend in respect of ordinary shares for the year ended 30 June 2004 has not been recognized in this financial report because the final dividend was declared in respect of ordinary shares subsequent to reporting date. In future financial reports the amount disclosed as "recognised" will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

SHARE OPTIONS

Share Options Granted to Directors and Executives

During the financial year an aggregate of 8,500,000 share options were granted to the following directors and executives of the company:

Directors/Executives	No. of options granted	Issuing entity	No. of shares under options
Directors			
Mr. A Grist	2,500,000	Amcom Telecommunications Ltd	2,500,000
Mr. E Lee	2,500,000	Amcom Telecommunications Ltd	2,500,000
Mr. C Stein	1,500,000	Amcom Telecommunications Ltd	1,500,000
Executives			
Mr. K Matacz	1,000,000	Amcom Telecommunications Ltd	1,000,000
Mr. J Tan	1,000,000	Amcom Telecommunications Ltd	1,000,000

The above mentioned directors and executives entered into a two year service contract as part of the conditions required to secure the additional funds of \$5.5 million injected into the company. The contracts expire in October 2005. Pursuant to the services contracted, the above directors and executives will receive shares funded by a company interest free loan arrangement. All shares issued are held in escrow until the expiry of contracts in October 2005. In addition, the above

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directors and executives are also granted share options exercisable at 20 cents by 31 March 2006. Further details of the directors/executives share option plan are disclosed in note 5 to the financial statements.

Employee Share Option Plan

The company has an existing Employee Share Option Plan. The issue of entitlements is at the discretion of the Board of Directors. 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 the financial year, the company issued 1,160,000 share options to employees who are not directors or executives of Amcom Telecommunications Ltd under the Employee Share Option Plan and the option is exercisable at \$0.172 by 31 March 2006.

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, company 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' 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). During the financial year, 12 board meetings, 3 remuneration committee meetings and 6 audit committee meetings were held.

Directors	Board of Directors		Remuneration Committee		Audit Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr. A Grist	12	12	-	-	-	-
Mr. E Lee	12	11	-	-	-	-
Mr. C Stein	12	12	-	-	-	-
Mr. P Clifton	12	12	3	3	6	6
Mr. I Warner	12	11	3	3	6	6
Mr. A McLean	12	11	3	2	-	-
Mr. R Sayers	11	10	-	-	-	-
Mr. A Davies	7	6	-	-	-	-
Mr. C Ferguson	7	6	-	-	-	-

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DIRECTORS' SHAREHOLDINGS

Shares Granted to Directors

During the financial year an aggregate of 6,500,000 shares were granted via placement to the following directors of the company as part of the incentive scheme for key executives:

Directors	No. of share granted	Issuing entity
Mr. A Grist	4,000,000	Amcom Telecommunications Ltd
Mr. E Lee	1,500,000	Amcom Telecommunications Ltd
Mr. C Stein	1,000,000	Amcom Telecommunications Ltd

The following table sets out each director's relevant interest in the share capital of the company as at the date of this report.

Directors	Fully paid ordinary shares	Unlisted options	Share options	Convertible notes
	(i)	(ii)	(iii)	(iv)
Mr. A Grist	28,024,139	-	2,500,000	101,000
Mr. E Lee	6,678,307	-	2,500,000	-
Mr. C Stein	1,222,223	-	1,500,000	-
Mr. P Clifton	2,813,555	375,000	-	-
Mr. I Warner	2,000,000	-	-	-
Mr. A McLean	27,000,000	-	-	-
Mr. R Sayers	-	-	-	-
Mr. C Ferguson	-	-	-	-
Mr. A Davies	-	-	-	-

- (i) These include shares issued to directors pursuant to service contract entitlement mentioned above.
- (ii) The unlisted options were issued in previous years as part of a remuneration scheme and are exercisable at 80 cents.
- (iii) The share options were granted pursuant to service contract entitlement approved by shareholders in November 2003.
- (iv) The convertible notes issued to a company associated to Mr. A Grist in previous years.

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DIRECTORS' AND EXECUTIVES' REMUNERATION

The remuneration committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the board. Remuneration packages are reviewed with due regard to performance and other relevant factors. 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:

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

The following table discloses the remuneration of the directors of the company:

Director	Primary		Post employment Super-annuation	Equity Options	Other benefits	Total
	Salary & fees (i) \$	Benefits \$			Interest free loan (iii) \$	
Executive directors						
Mr. A Grist	231,680	-	-	37,456	82,951	352,087
Mr. E Lee	259,232	27,169	-	37,456	51,057	374,914
Mr. C Stein	184,491	-	16,304	23,474	20,738	245,007
Non-executive directors						
Mr. A McLean	69,000	-	-	-	-	69,000
Mr. P Clifton	52,800	-	-	-	-	52,800
Mr. I Warner	24,000	-	-	-	-	24,000
Mr. R Sayers	-	-	-	-	-	-
Mr. A Davies	-	-	-	-	-	-
Mr. C Ferguson	-	-	-	-	-	-

(i) Director's remuneration includes consultancy fees;

(ii) During the financial year, an aggregate of 6,500,000 share options were granted to executive directors pursuant to service contract entitlements as disclosed above. The values of the share options disclosed above are based on the Black Scholes valuation method. The value for the unlisted options issued to Mr P Clifton is nil based on the same method of valuation;

(iii) These represent the notional interest foregone by the company using the interest rate of 8% as a result of interest free loans granted to the directors for the acquisition of shares under their service agreements, and the difference between the issue and market price of the shares at date of issue.

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The following table discloses the remuneration of the five highest remunerated executives of the company and the consolidated entity:

Executive	Primary		Post employment Superann- uation	Equity	Other benefits	Total
	Salary & fees	Benefits		Options	Interest free loan	
				(i) \$	(ii) \$	
	\$	\$	\$		\$	\$
Mr. K Matacz	179,868	-	15,730	13,842	12,964	222,404
Mr. J Tan	157,731	-	14,016	13,842	12,964	198,553
Mr. K Allen	136,482	-	2,739	-	-	139,221
Mr. R Whiting (iii)	120,769	-	10,869	-	-	131,639
Mr. M Burke (iii)	73,430	-	6,609	-	-	80,039

- (i) During the year, an aggregate of 2,000,000 share options were granted to two executives pursuant to service contract entitlement as disclosed above. The values of the share options disclosed above are based on the Black Scholes valuation method.
- (ii) These represent the notional interest foregone by the company using the interest rate of 8% as a result of interest free loans granted to the executives, and the difference between the issue and market price of the shares at date of issue.
- (iii) Appointed in October 2003 upon acquisition of the Amnet IT and ISP business from Hailian International Ltd (formerly known as Amnet Ltd).

ROUNDING OFF OF AMOUNTS

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars.

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

On behalf of the Directors



Anthony Grist

Chairman

Perth, Western Australia

27 September 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS **OF AMCOM TELECOMMUNICATIONS LIMITED**

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 2004 as set out on pages 16 to 59. 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.

Deloitte.

Independence

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

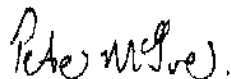
Audit Opinion

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 2004 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



PETER McIVER

Partner

Chartered Accountants

Perth, Western Australia, 27 September 2004

Amcom Telecommunications Limited

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 GRIST

Director

Perth, Western Australia

27 September 2004

Amcom Telecommunications Limited

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities	2 (a) (b)	20,350	11,209	164	58
Expenses					
Cost of Sales – goods	2 (a)	(545)	(296)	-	-
Network expenses – other		(1,981)	(716)	-	-
Cost of SMS services		(3,978)	-	-	-
Employee benefits expense		(5,387)	(4,231)	(821)	(768)
Accommodation expense		(424)	(279)	(48)	(35)
Other expenses from ordinary activities		(2,403)	(1,671)	(620)	(374)
Borrowing costs	2 (c)	(446)	(499)	(229)	(203)
Depreciation amortisation expenses	2 (c)	(3,441)	(3,169)	(19)	(18)
Impairment of non current assets	2 (c)	(23)	(12,772)	(90)	(11,084)
Profit(Loss) from ordinary activities before income tax expense		1,722	(12,424)	(1,663)	(12,424)
Income tax expense relating to ordinary activities	3	(467)	-	-	-
Profit(Loss) from ordinary activities after related income tax expense		1,255	(12,424)	(1,663)	(12,424)
Net (loss) attributable to outside equity interests		-	10	-	-
Net profit(loss) attributable to members of the parent entity		1,255	(12,414)	(1,663)	(12,424)
Total changes in equity other than those resulting from transactions with owners as owners		1,255	(12,414)	(1,663)	(12,424)
Earnings per share:					
Basic (cents per share)	25	0.428	(5.77)	-	-
Diluted (cents per share)	25	0.421	(5.77)	-	-

Notes to the financial statements are included on pages 20 - 59

Amcom Telecommunications Limited

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current assets					
Cash assets	33(a)	10,730	1,386	7,356	778
Receivables	7	5,286	1,630	129	23
Inventories	8	1,972	1,667	-	-
Other	9	984	592	223	252
Total current assets		18,972	5,275	7,708	1,053
Non-current assets					
Receivables	11	1,187	250	1,187	250
Other financial assets	10	56	562	45,265	42,716
Property, plant and equipment	12	38,832	34,631	59	75
Intangibles	13	9,254	8,006	-	-
Total non-current assets		49,329	43,449	46,511	43,041
Total assets		68,301	48,724	54,219	44,094
Current liabilities					
Payables	15	4,551	2,154	225	510
Interest-bearing liabilities	17	931	1,117	4	4
Current tax liabilities		467	-	-	-
Provisions	18	291	172	-	6
Other	16	2,002	1,580	-	-
Total current liabilities		8,242	5,023	229	520
Non-current liabilities					
Interest-bearing liabilities	19	4,467	3,106	1,351	3,014
Provisions	20	35	35	-	-
Total non-current liabilities		4,502	3,141	1,351	3,014
Total liabilities		12,744	8,164	1,580	3,534
Net assets		55,557	40,560	52,639	40,560
Equity					
Contributed equity	23	74,146	60,404	74,146	60,404
Accumulated Losses	24	(18,589)	(19,844)	(21,507)	(19,844)
Total equity		55,557	40,560	52,639	40,560

Notes to the financial statement are included on pages 20 - 59

Amcom Telecommunications Limited

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

		Consolidated		Company	
	Note	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Cash flows from operating activities					
Receipts from customers		19,384	11,523	-	-
Payments to suppliers and employees		(15,167)	(8,541)	(1,776)	(995)
Interest received		208	62	160	58
Interest and other costs of finance paid		(585)	(499)	(308)	(203)
Income tax received		6	1	-	-
Net cash provided by (used in) operating activities	33(d)	3,846	2,546	(1,924)	(1,140)
Cash flows from investing activities					
Payment for property, plant and equipment		(6,428)	(3,879)	-	(47)
Payment for acquisition of equity investments		-	(466)	-	(430)
Payment for businesses	33(b)	(2,045)	-	(2,143)	-
Payment for acquisition of other non current assets		-	(422)	(4)	(422)
Amounts advanced to related parties		-	-	(496)	(3,108)
Net cash used in investing activities		(8,473)	(4,767)	(2,643)	(4,007)
Cash flows from financing activities					
Proceeds from issues of equity securities		11,145	737	11,145	737
Proceeds from borrowings		3,746	3,000	-	3,000
Repayment of borrowings		(920)	(2,305)	-	-
Net cash provided by financing activities		13,971	1,432	11,145	3,737
Net increase/(decrease) in cash held		9,344	(789)	6,578	(1,410)
Cash at the beginning of the financial year		1,386	2,175	778	2,188
Cash at the end of the financial year	33(a)	10,730	1,386	7,356	778

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

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, 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 for 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:

(a) *Accounts payable*

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

(b) *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.

(c) *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.

(d) *Capitalisation of borrowing costs*

Borrowing costs directly attributable to assets under construction are capitalised as part of the cost of those assets.

(e) *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 revalued 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 & Fittings	7 – 25%
Motor Vehicles	20%

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1. Summary of accounting policies (cont'd)

(f) *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 benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of other employee benefits 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 reporting date.

(g) *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.

Compound instruments

Compound instruments issued before 1 January 1998 are classified as either liabilities or as equity, whichever is the predominant component part, in accordance with the substance of the contractual arrangement.

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.

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.

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.

(h) *Goods and services tax*

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

- i. 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
- ii. 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.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1. Summary of accounting policies (cont'd)

(i) *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.

(j) *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 income tax and future income tax benefit, as applicable.

During the financial year, the directors elected that all wholly-owned Australian entities would join a tax consolidated group. As a result, from this date, the company is not subject to tax in its own right and all income tax expenses, revenues, assets and liabilities related to the transactions, balances and events of the company are recognised in the financial statements of the parent entity, Amcom Telecommunications Limited.

The directors have resolved that the consolidated group will enter into both tax-sharing and tax-compensation arrangements, which will have a retrospective effect to 1 July 2003, the income tax expense/revenue of the parent entity includes the tax contribution amounts paid or payable between the parent entity and subsidiary entities made in accordance with the agreement. Further information about the tax sharing and tax compensation agreement is detailed in note 3 to the financial statements.

The current and deferred tax assets and liabilities of the parent entity are not reduced by any amounts owing from or to subsidiary entities in accordance with the intended tax sharing and compensation agreement as these amounts are recognised as inter-company receivables and payables.

(k) *Interest-bearing liabilities*

Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

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

(l) *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.

(m) *Investments*

Investments in controlled entities are recorded at cost. Other investments are recorded at cost.

(n) *Leased assets*

Leased assets classified as finance leases are recognised as 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.

Finance 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.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1. Summary of accounting policies (cont'd)

(o) *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 29 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.

(p) *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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(q) *Receivables*

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

(r) *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 using a discount rate of 10%.

(s) *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.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

1. Summary of accounting policies (cont'd)

(s) Revenue recognition (cont'd)

(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.

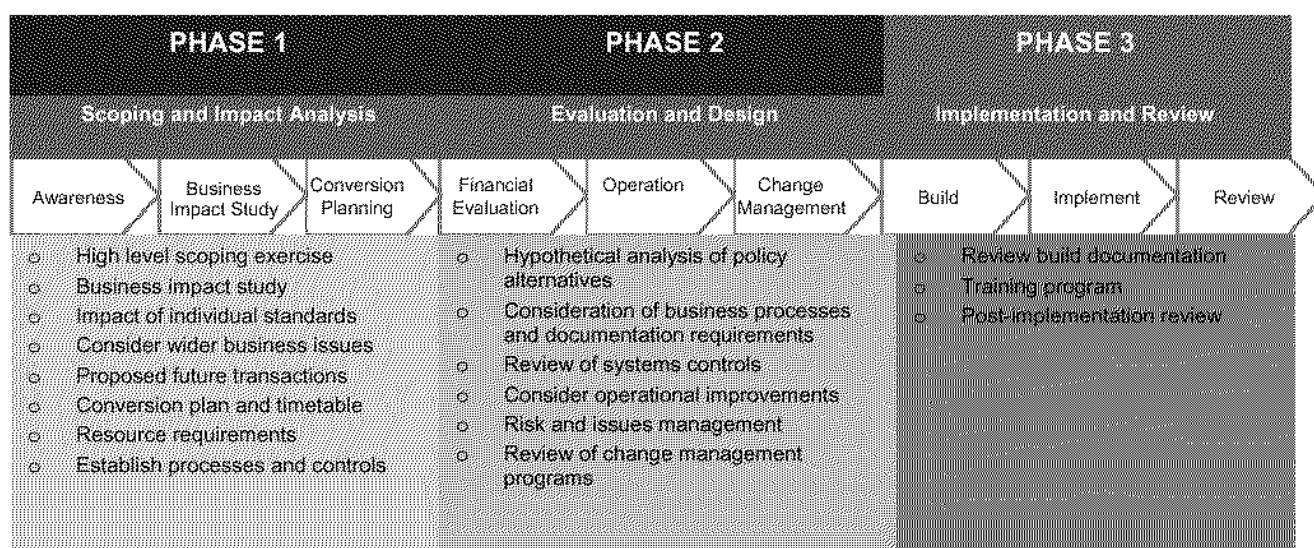
(vi) Dividend Revenue

Dividend revenue is recognised on a receivable basis.

(t) Management of the transition to A-IFRS

In accordance with the Financial Reporting Council's strategic directive, the company will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ("A-IFRS") for annual reporting periods beginning on or after 1 January 2005. Accordingly, the company's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

In 2003, the company established a Steering Committee to manage the transition to A-IFRS. The consolidated entity plans to manage the transition to A-IFRS in 3 phases, as diagrammatically presented below with the key activities to be conducted as part of each stage. Risk management and change management will be managed throughout the life of the project.



During the reporting period, the Steering Committee conducted a high-level scoping exercise as part of its awareness training to obtain an idea of the effect and effort involved in adopting A-IFRS on the consolidated entity. Part of the scoping exercise involved identifying key areas of impact that will arise on adoption of A-IFRS including financial impact, effort required, and options available to the consolidated entity on first-time adoption of A-IFRS. Now that the consolidated entity has this information, it intends to conduct a business impact study to determine the approximate impact and best options for the consolidated entity for future reporting periods, and to begin a process to redesign and build systems and processes in order to capture information necessary to allow the preparation of financial statements which are fully compliant with A-IFRS.

1. Summary of accounting policies (cont'd)

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

Management of the transition to A-IFRS (cont'd)

The Steering Committee believes the company will be able to achieve its plan for A-IFRS implementation such that financial statements which are fully compliant with A-IFRS will be able to be prepared.

Key differences from current accounting policies

The company has identified the following as being the significant areas of differences affecting the consolidated entity on adoption of A-IFRS. This does not represent an exhaustive list of the differences that will arise, and further analysis may change the consolidated entity's assessment of the importance or otherwise of the various differences.

First-time adoption of A-IFRS

On first-time adoption of A-IFRS, the consolidated entity will be required to restate its comparative balance sheet such that the comparative balances presented comply with the requirements specified in the A-IFRS. That is, the balances that will be presented in the financial report for the year ended 30 June 2005 may not be the balances that will be presented as comparative numbers in the financial report for the following year, as a result of the requirement to retrospectively apply the A-IFRS. In addition, certain assets and liabilities may not qualify for recognition under A-IFRS, and will need to be derecognised. As any adjustments on first-time adoption are to be made against opening retained earnings, the amount of retained earnings at 30 June 2004 presented in the 2005 financial report and the 2006 financial report available to be paid out as dividends may differ significantly.

Various voluntary and mandatory exemptions are available to the consolidated entity on first-time adoption, which will not be available on an ongoing basis. The exemptions provide relief from retrospectively accounting for certain balances, instruments and transactions in accordance with A-IFRS, and includes relief from having to restate past business combinations, expense share-based payments granted before 7 November 2002, and the identification of a 'deemed cost' for property, plant and equipment.

The impact on the company of the changes in accounting policies on first-time adoption of A-IFRS will be affected by the choices made. The consolidated entity is evaluating the effect of the options available on first-time adoption in order to determine the best possible outcome for the consolidated entity.

Share-based payment

Share-based compensation forms part of the remuneration of employees of the consolidated entity (including executives) as disclosed in the notes to the financial statements. The consolidated entity does not recognise an expense for any share-based compensation granted. Under A-IFRS, the consolidated entity will be required to recognise an expense for such share-based compensation. Share-based compensation is measured at the fair value of the share options determined at grant date and recognised over the expected vesting period of the options. A reversal of the expense will be permitted to the extent non-market based vesting conditions (e.g. service conditions) are not met. The entity will not retrospectively recognise share-based payments vested before 1 January as permitted under A-IFRS first time adoption.

The recognition of the expense will decrease the consolidated entity's opening retained earnings on initial adoption of A-IFRS and increase share capital by the same amount for share-based payments issued after 7 November 2002 but not vested before 1 January 2005. Similar impacts will also occur in future periods, however, quantification of the impact on equity and in the income statement of the existing share options granted as remuneration has not been completed at the reporting date.

1. Summary of accounting policies (cont'd)

Income tax

The consolidated entity currently recognises deferred taxes by accounting for the differences between accounting profits and taxable income, which give rise to 'permanent' and 'timing' differences. Under A-IFRS, deferred taxes are measured by reference to the 'temporary differences' determined as the difference between the carrying amount and the tax base of assets and liabilities recognised in the balance sheet.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

Because A-IFRS has a wider scope than the entity's current accounting policies, it is likely that the amount of deferred taxes recognised in the balance sheet will increase. In particular, significant increases in deferred tax liabilities are anticipated in relation to deferred taxes associated with fair value adjustments and intangibles arising in relation to pre-transition business combinations, revaluations of land and buildings and investments in associates.

The consolidated entity also has carried forward tax losses which have not been recognised as deferred tax assets as they do not satisfy the 'virtually certain' criteria under current Australian GAAP (refer note 3(b)). Under A-IFRS, it may be easier to recognise these tax losses as deferred tax assets as they are recognised based on a 'probable' recognition criteria. The impact of this difference may be to increase deferred tax assets and opening retained earnings, and result in a higher level of recognised deferred tax assets on a go-forward basis.

Adjustments to the recognised amounts of deferred taxes will also result as a consequence of adjustments to the carrying amounts of assets and liabilities resulting from the adoption of other A-IFRS. The likely impact of these changes on deferred tax balances has not currently been determined.

Property, plant and equipment

On transition to A-IFRS, the entity has several options in the determination of the cost of each tangible asset, and can also elect to use the cost or fair value basis for the measurement of each class of property, plant and equipment after transition. At the date of this report, the entity has not decided which options and measurement basis will be adopted and the likely impacts therefore cannot be determined.

Impairment of assets

Non-current assets are written down to recoverable amount when the asset's carrying amount exceeds recoverable amount. Historically, although not mandated, Amcom Telecommunications Limited has discounted cash flows in determining the recoverable amount of its non-current assets.

Under A-IFRS, both current and non-current assets are tested for impairment. In addition, A-IFRS has a more prescriptive impairment test, and requires discounted cash flows to be used where value in use is used to assess recoverable amount. Consequently, on adoption of A-IFRS, a further impairment of certain assets may need to be recognised, thereby decreasing opening retained earnings and the carrying amount of assets – the consolidated entity has not yet determined the impact, if any, of any further impairment which may be required. It is not practicable to determine the impact of the change in accounting policy for future financial reports, as any impairment or reversal thereof will be affected by future conditions.

Financial assets and financial liabilities

Under current Australian GAAP, financial assets and financial liabilities are recognised at cost, at fair value, or at net market value. On adoption of A-IFRS, the consolidated entity will be required to classify these financial instruments into various specified categories. The classification of the instrument will affect the instrument's subsequent measurement – at amortised cost using the effective interest rate method, fair value with movements recognised through equity or fair value recognised through the profit and loss. The consolidated entity is evaluating the different options available, but has not made any determination at reporting date of the accounting to be adopted, and consequently, the impact of the change on the financial statements cannot yet be quantified.

1. Summary of accounting policies (cont'd)

Impairment of financial assets

The consolidated entity provides for doubtful debts using an estimate based on historical trends. Under A-IFRS, the entity will no longer be able to provide for doubtful debts on this basis, as a financial asset or group of financial assets is impaired only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset – that is, an incurred but not yet reported model rather than an expected loss model must be applied. Consequently, on adoption of A-IFRS, and on an ongoing basis, general provisions and expected loss models may no longer be appropriate, which may cause the carrying amount of various financial assets to increase.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

Goodwill

As disclosed above, goodwill is currently amortised over a 20 year period. A-IFRS does not permit goodwill to be amortised, but instead requires the carrying amount to be tested for impairment at least annually. Goodwill currently recognised in the balance sheet, adjusted if necessary on the optional restatement of business combinations, must be allocated to individual cash-generating units (or groups of cash-generating units) and tested for impairment at the allocated level. This change in policy may result in increased volatility in the profit and loss, where impairment losses are likely to occur.

Business combinations

Historically, the acquisition of an entity or operation is accounted for under the purchase method of accounting by the legal acquirer. Where consolidated accounts are prepared, the assets and liabilities purchased are initially recognised at their fair values in the consolidated accounts.

Under A-IFRS, the purchase method of accounting must be applied where there is a business combination, however, not all acquisitions will qualify as a business combination, and as such the purchase method of accounting for these acquisitions will no longer be appropriate. In addition, the legal acquirer may not be the 'acquirer' per A-IFRS, and the consolidated accounts may consequently reflect the fair values of the legal acquirer's assets and liabilities rather than the fair value of the assets and liabilities of the entity legally acquired.

Furthermore, there are a number of recognition and measurement differences that result in relation to assets and liabilities acquired in a business combination, particularly in relation to intangible assets and restructuring provisions. Acquired contingent liabilities must also be recognised at their fair values where acquired in a business combination.

The impact of these changes in accounting policy on first-time adoption will depend on whether the consolidated entity will elect to adopt the exemption available to it to not reopen past acquisitions and retrospectively account for them appropriately. On an ongoing basis, this change in policy may significantly affect the profit and loss and balance sheet, as the accounting going forward significantly differs from the manner in which such transactions are treated under current Australian GAAP.

Depreciation

Under current Australian GAAP, the consolidated entity's property, plant and equipment is depreciated to the extent of its depreciable amount, determined as the difference between carrying amount and residual value. The residual amount used in the determination of recoverable amount is estimated at the date of acquisition and is not subsequently increased for changes in prices, except where the asset had been revalued. Under A-IFRS, the residual amount is reviewed at each balance date and revised to the current net amount expected from the disposal of the asset if it were already at the age and condition expected at the end of its useful life. Accordingly, changes to the residual value may introduce additional volatility in the profit or loss.

1. Summary of accounting policies (cont'd)

Borrowing costs

As disclosed above, the consolidated entity currently capitalises borrowing costs related to qualifying assets. Under A-IFRS, the consolidated entity can continue to capitalise such costs, or choose to immediately expense all borrowing costs, even where they relate to qualifying assets. The consolidated entity has not yet made a decision as to which accounting policy it will elect to adopt under A-IFRS. However, the impact of the consolidated entity changing its policy may be to cause a write-off of capitalised borrowing costs on transition (depending on first-

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

time adoption choices around deemed cost), and on an ongoing basis, to cause a reduction in future asset values and immediate expensing of borrowing costs in net profit.

Employee benefits

Under A-IFRS, the consolidated entity will no longer be able to recognise provisions for annual leave on a nominal basis, regardless of when the leave is expected to be taken, but will instead be required to discount the portion of annual leave liabilities expected to be taken more than twelve months from the reporting date. This change in accounting policy is likely to reduce the aggregate provision for annual leave, but is unlikely to significantly affect the income statement.

Proceeds from sale of assets

The current definition of revenue requires proceeds on sale of non-current assets to be included as revenue – this has the effect of ‘grossing up’ the statement of financial performance. Under A-IFRS, only the net gain or loss from the sale will be recognised in profit or loss. Consequently, there will be no net impact on the income statement.

Correction of errors

An error made in a prior reporting period is presently corrected in the reporting period in which the error is discovered by recognising the effect of the error in the current financial statements. In future financial periods, any material prior period errors are to be accounted for retrospectively, i.e. by adjusting the opening balance of retained earnings of the comparative period. Accordingly, the identification of a material prior period error will no longer give rise to volatility in the current period income statement.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

Consolidated		Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

2. Profit from ordinary activities

Profit 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)	608	381	-	-
Cost of goods sold	(545)	(296)	-	-
	63	85	-	-

- (i) Sale of goods represents sales of hardware and software to customers.

(b) Total Other Revenue from Ordinary Activities

Operating Revenue:				
Sale of bandwidth capacity	13,180	9,578	-	-
SMS services	4,161	-	-	-
DSL services	846	-	-	-
Rendering of services	1,322	1,098	-	-
	19,509	10,676	-	-
Other income	25	90	4	-
Interest income	208	62	160	58
	19,742	10,828	164	58

(c) Expenses

Interest – directors and director related entities	-	(7)	-	(7)
Interest – Other entities	(446)	(492)	(229)	(196)
	(446)	(499)	(229)	(203)
Net bad and doubtful debts arising from:				
Other entities	-	(4)	-	-
Depreciation of non-current assets:				
Property, plant and equipment	(2,910)	(2,694)	(19)	(18)
Amortisation of non-current assets:				
Goodwill	(531)	(475)	-	-
	(3,441)	(3,169)	(19)	(18)
Operating lease rental expenses	(517)	(309)	(48)	(36)
	(517)	(309)	(48)	(36)

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

		Consolidated		Company	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
2.	(c) Expenses (cont'd)				
	Significant Items				
	Impairment/reversal of impairment of non current assets	-	-	(67)	1,688
	Impairment of other non-current financial assets	(23)	(12,747)	(23)	(12,747)
	Impairment of other financial assets	-	(25)	-	(25)
		(23)	(12,772)	(90)	(11,084)
3.	Income tax				
a)	The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
	Profit/(Loss) from ordinary activities	1,722	(12,424)	(1,663)	(12,424)
	Income tax expense calculated at 30%	517	(3,727)	(499)	(3,727)
	Permanent differences:				
	Amortisation of intangible assets	161	142	-	-
	Depreciation	134	158	-	-
	Non-deductible expenses	25	14	4	-
	Timing differences	7	-	7	-
	Current and deferred taxes relating to transactions, events and balances of wholly owned subsidiaries in the tax consolidated group	-	-	467	-
	Net income tax benefit arising under tax sharing agreements with subsidiaries in the tax consolidated group	-	-	(467)	-
	Losses not brought to account as future income tax benefits (note (b))		3,413	488	3,727
	Losses previously not brought to account as future income tax benefits (note (b))	(377)	-	-	-
		(50)	3,727	499	3,727
	Income tax expense attributable to operating profit	467	-	-	-
	(b) Future income tax benefits not brought to account as assets at 30%:				
	Tax losses – revenue	88	413	88	319
	Tax losses – capital	3,831	3,831	3,831	3,831
		3,919	5,207	3,919	4,894

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

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

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

3. Income tax (cont'd)

Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002. This legislation, which includes both mandatory and elective elements, is applicable to the company.

The directors have elected for those entities within the consolidated entity that are wholly-owned entities Australian resident entities to be taxed as single entity from 1 July 2003. The adoption of the tax consolidation system has not yet been formally notified to the Australian Taxation Office. The head entity within the tax consolidated group for the purposes of the tax consolidation system is Amcom Telecommunications Limited.

The directors have resolved that the tax consolidated group will enter into a tax-sharing agreement and a tax-compensation agreement with the head entity, which will have a retrospective effect to 1 July 2003. It is anticipated that under the terms of these agreements, Amcom Telecommunications Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

4. Directors' remuneration

The specified directors of Amcom Telecommunications Limited during the year were:

- Mr. A Grist (Executive Chairman)
- Mr. I Warner (Deputy Chairman, non executive)
- Mr. E Lee (Managing director/Chief Executive Officer)
- Mr. C Stein (Executive director/Chief Operating Officer)
- Mr. A Mclean (Non-executive)
- Mr. P Clifton (Non-executive)
- Mr. R Sayers (Non-executive)
- Mr. A Davies (Non-executive)
- Mr. C Ferguson (Non-executive)

The specified executives of Amcom Telecommunications Limited and its consolidated entities during the year were :

- Mr. K Matacz (Company Secretary)
- Mr. J Tan (General Manager - Finance)
- Mr. K Allen (General Manager - New Technology)
- Mr. R Whiting (Group General Manager - Operations)
- Mr. M Burke (General Manager - Sales)

The remuneration committee reviews the remuneration packages of all specified directors and specified executives on an annual basis and makes recommendations to the board. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries adjusted by a performance factor to reflect changes in the performance of the company.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

4. Directors' remuneration (cont'd)

Director	Primary		Post employment	Equity	Other benefits	Total
	Salary & fees	Benefits	Superannuation	Options	Interest free loan	
	(i) \$	\$	\$	(ii) & (iv) \$	(iii) \$	
Executive directors						
Mr. A. Grist	231,680	-	-	37,456	82,951	352,087
Mr. E Lee	259,232	27,169	-	37,456	51,057	374,914
Mr. C Stein	184,491	-	16,304	23,474	20,738	245,007
Non-executive directors						
Mr. A McLean	69,000	-	-	-	-	69,000
Mr. P Clifton	52,800	-	-	-	-	52,800
Mr. I Warner	24,000	-	-	-	-	24,000
Mr. R Sayers	-	-	-	-	-	-
Mr. A Davies	-	-	-	-	-	-
Mr. C Ferguson	-	-	-	-	-	-

- (i) Director's remuneration includes consultancy fees.
- (ii) During the financial year, an aggregate of 6,500,000 share options were granted to executive directors pursuant to service contract entitlements as disclosed above. The values of the share options disclosed above are based on the Black Scholes valuation method.
- (iii) These represent the notional interest foregone by the company using interest rate of 8% and the difference between the issue and market price of the shares at date of issue.
- (iv) The aggregate value of the options issued to directors is \$166,949 of which \$98,386 is recognised this year

Executive	Primary		Post employment	Equity	Other benefits	Total
	Salary & fees	Benefits	Superannuation	Options	Interest free loan	
	\$	\$	\$	(i) & (iv) \$	(ii) \$	
Executives						
Mr. K Matacz	179,868	-	15,730	13,842	12,964	222,404
Mr. J Tan	157,731	-	14,016	13,842	12,964	198,553
Mr. K Allen	136,482	-	2,739	-	-	139,221
Mr. R Whiting (iii)	120,769	-	10,869	-	-	131,638
Mr. M Burke (iii)	73,430	-	6,609	-	-	80,039

- (i) During the year, an aggregate of 2,000,000 share options were granted to two executives pursuant to service contract entitlement as disclosed above. The values of the share options disclosed above are based on the Black Scholes valuation method.
- (ii) These represent the notional interest foregone by the company using interest rate of 8% and the difference between the issue and market price of the shares at date of issue.
- (iii) Appointed in October 2003 upon acquisition of Hailian International Ltd's (formerly known as Amnet Ltd) ISP and IT business.
- (iv) The aggregate value of the options issued to two executives is \$36,913 of which \$27,684 is recognised this year.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

4. Directors' remuneration (cont'd)

Contracts for services

The following directors and executives entered into a two year service contract as part of the conditions required to secure the additional funds of \$5.5 million injected into the company. The contracts expire in October 2005. Pursuant to the services contracted, the following directors and executives will receive shares funded by a company interest free loan arrangement. All shares issued are in escrow until the expiry of the contracts in October 2005. In addition, the following directors and executives are also granted share options exercisable at 20 cents by 31 March 2006. Detail of the shares options issued are disclosed above.

- a) Mr. A Grist
- b) Mr. E Lee
- c) Mr. C Stein
- d) Mr. K Matacz
- e) Mr. J Tan

Mr. R Whiting entered into a two year service contract expiring in October 2005 upon the acquisition of Hailian International Ltd's (formerly known as Amnet Ltd) ISP and IT business. An agreed remuneration was included in the service agreement and with a one month termination notice period. No liability exists after the notice period.

Mr. K Allen has a service contract for a period of 12 months expiring October 2004.

Mr. M Burke has an employment contract with a one month termination notice period.

5. Share Option Plan

The company has an existing Employee Share Option Plan. The issue of entitlements is at the discretion of the board of directors. 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 the year, the company issued 1,160,000 share options to employees who are not directors or executives of the company under the Employee Share Option Plan. The option is exercisable at \$0.172 by 31 March 2006. Further details of the share option plan are set out overleaf:

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

5. Share Option Plan

	Company	
	2004 No. ('000)	2003 No. ('000)
Movements in the number of share options held by directors are as follows:		
Balance at 1 July 2003 (i)	375	1,375
Granted during the year (ii)	6,500	-
Lapsed during the year (iii)	-	(1,000)
Balance at 30 June 2004 (v)	6,875	375

Directors share options carry no rights to dividends and no voting rights.

Movements in the number of share options held by executives are as follows:

Balance at 1 July 2003 (i)	265	265
Granted during the year (ii)	2,000	-
Lapsed during the year (iii)	(75)	-
Balance at 30 June 2004 (v)	2,190	265

Executives share options carry no rights to dividends and no voting rights.

Movements in the number of share options held by employees are as follows:

Balance at 1 July 2003 (i)	3,138	3,138
Granted during the year (ii)	1,160	-
Lapsed during the year (iii)	(503)	-
Cancelled during the year (iv)	(1,768)	-
Balance at 30 June 2004 (v)	2,027	3,138

Employees share options carry no rights to dividends and no voting rights.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

5. Share Option Plan (cont'd)

(i) Balance at Beginning of Financial Year

2003		Grant Date	Expiry/ Exercise Date	Exercise Price
Options – Series	No. ('000)			\$
Directors				
(2) Issued 26/10/99	375	26/10/99	31/12/04	0.80
Total	375			
Executives				
(3) Issued 12/1/00	75	12/01/00	31/12/03	0.30
(3) Issued 12/1/00	75	12/01/00	31/12/04	0.30
(4) Issued 31/3/02	57	31/03/02	31/03/05	0.30
(4) Issued 31/3/02	58	31/03/02	31/03/06	0.30
Total	265			
Employees				
(3) Issued 12/1/00	912	12/01/00	31/12/03	0.30
(3) Issued 12/1/00	912	12/01/00	31/12/04	0.30
(4) Issued 31/3/02	657	31/03/02	31/03/05	0.30
(4) Issued 31/3/02	657	31/03/02	31/03/06	0.30
Total	3,138			

(ii) Granted During the Financial Year

2004		Grant Date	Expiry/ Exercise Date	Exercise Price	Fair Value Received
Options – Series	No. ('000)			\$	\$
Director					
(6) Issued 3/12/03	6,500	3/12/03	31/3/06	0.20	-
Total	6,500				
Executives					
(5) Issued 6/10/03	2,000	6/10/03	31/3/06	0.20	-
Total	2,000				
Employees					
(5) Issued 6/10/03	1,160	6/10/03	31/3/06	0.172	-
Total	1,160				

Director, executive and employee share plans are exercisable wholly or in part any time during the period commencing 365 days from day of issue and ending on 31 March 2006.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

5. Share Option Plan (cont'd)

(iii) Lapsed During the Financial Year

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

Options – Series	2004 No. ('000)	2003 No. ('000)
Directors		
(1) Issued 28/4/00	-	1,000
Total	-	1,000
Executives		
(3) Issued 12/1/00	75	-
Total	75	-
Employees		
(3) Issued 12/1/00	503	-
Total	503	

The above options series are option to purchase ordinary shares for 30 cents per share.

(iii) Cancelled During the Financial Year

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

	2004 No. ('000)	2003 No. ('000)
Employees		
(3) Issued 12/1/00	820	-
(4) Issued 31/3/02	948	-
Total	1,768	-

The above options series are option to purchase ordinary shares for 30 cents per share.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

5. Share Option Plan (cont'd)

(v) Balance at End of Financial Year

2004	No. (‘000)	Grant Date	Unvested (\$‘000)	Vested (\$‘000)	Expiry/ Exercise Date	Exercise Price \$
Options – Series						
Directors						
(2) Issued 26/10/99	375	26/10/99	-	375	31/12/04	0.80
(6) Issued 3/12/03	6,500	3/12/03	6,500	-	31/3/06	0.20
Total	6,875		6,500	375		
Executives						
(3) Issued 12/1/00	75	12/01/00	-	75	31/12/04	0.30
(4) Issued 31/3/02	57	31/3/02	57	-	31/3/05	0.30
(4) Issued 31/3/02	58	31/3/02	58	-	31/3/06	0.30
(5) Issued 6/10/03	2,000	6/10/03	2,000	-	31/3/06	0.20
Total	2,190		2,115	75		
Employees						
(3) Issued 12/1/00	501	12/01/00	-	501	31/12/04	0.30
(4) Issued 31/3/02	183	31/3/02	183	-	31/3/05	0.30
(4) Issued 31/3/02	183	31/3/02	183	-	31/3/06	0.30
(5) Issued 6/10/03	1,160	6/10/03	1,160	-	31/3/06	0.172
Total	2,027		1,526	501		

Director, executive and employee share plans are exercisable wholly or in part any time during the period commencing 365 days from day of issue and ending on the above respective expiry date.

Amcom Telecommunications Limited

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

5. Share Option Plan (cont'd)

(v) *Balance at End of Financial Year*

2003	No. (‘000’s)	Grant Date	Unvested (\$’000)	Vested (\$’000)	Expiry/ Exercise Date	Exercise Price \$
Options – Series						
Directors						
(1) Issued 26/10/99	375	26/10/99	375	-	31/12/04	0.80
Total	375		375	-		
Executives						
(3) Issued 12/1/00	75	12/1/00	-	75	31/12/03	0.30
(3) Issued 12/1/00	75	12/1/00	75	-	31/12/04	0.30
(4) Issued 31/3/02	57	31/3/02	57	-	31/3/05	0.30
(4) Issued 31/3/02	58	31/3/02	58	-	31/3/06	0.20
Total	265		190	75		
Employees						
(3) Issued 12/1/00	912	12/1/00	-	912	31/12/03	0.30
(3) Issued 12/1/00	912	12/1/00	912	-	31/12/04	0.30
(4) Issued 31/3/02	657	31/3/02	657	-	31/3/05	0.30
(4) Issued 31/3/02	657	31/3/02	657	-	31/3/06	0.30
Total	3,138		2,226	912		

Director, executive and employee share options carry no rights to dividends and no voting rights.

In accordance with the terms of the director, executive, employee share option plan, options may be exercised at any time from the date on which they vest to the date of expiry.

Consolidated		Company	
2004	2003	2004	2003
\$	\$	\$	\$

6. Remuneration of Auditors

(a) *Auditor of the Parent Entity*

Auditing the financial report	55,065	49,025	55,065	49,025
Other services	33,100	2,500	33,100	2,500
	88,165	51,525	88,165	51,525

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
7. Current Receivables				
Trade receivables	5,161	1,607	-	-
Less: Allowance for doubtful debts	(4)	(4)	-	-
	5,157	1,603	-	-
Goods and services GST tax recoverable	129	27	129	23
	5,286	1,630	129	23
8. Current Inventories				
Finished goods — at cost	1,972	1,667	-	-
	1,972	1,667	-	-
9. Other Current Assets				
Prepayments	437	170	4	3
Deposits	20	20	-	-
Borrowing costs	244	224	209	224
Other	283	178	10	25
	984	592	223	252

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
10. Other Non-Current Financial Assets				
At cost				
Shares in controlled entities	-	-	32,142	29,512
Loans advanced to entities in wholly-owned group	-	-	13,036	12,611
At recoverable amount				
Shares in controlled entities	-	-	31	31
Shares in other entities	56	562	56	562
	<u>56</u>	<u>562</u>	<u>45,265</u>	<u>42,716</u>

In determining recoverable amount the expected future cashflows associated with the investment, based on the projected dividend stream and value at expected sale date, have been discounted to their net present value using a discount rate of 10%.

11. Non-Current Receivables

Loans to directors/executives	1,187	250	1,187	250
	<u>1,187</u>	<u>250</u>	<u>1,187</u>	<u>250</u>

These represent interest free loan funded by the company for the purchase of shares pursuant to the service contracts as disclosed above. In the event either party terminates the agreements within the escrow period, the shares will be immediately cancelled and the loans extinguished.

Amcom Telecommunications Limited

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

12. Property, Plant and Equipment

	Consolidated					TOTAL \$'000
	Network Infrastructure	Leasehold Improvements	Plant and Equipment	Furniture & Fittings	Motor Vehicles	
	at cost	at cost	at cost	at cost	at cost	
	\$'000	\$'000	\$'000	\$'000	\$'000	
<i>Gross Carrying Amount</i>						
Balance at 30 June 2003	39,745	206	906	965	168	41,989
Additions	5,370	9	191	606	81	6,257
Acquisitions of business	-	635	9	210	-	854
Disposals	-	-	-	-	(47)	(47)
Balance at 30 June 2004	45,115	850	1,106	1,781	202	49,053
<i>Accumulated Depreciation</i>						
Balance at 30 June 2003	6,365	70	340	485	98	7,358
Depreciation expense	2,396	100	144	236	34	2,910
Disposals	-	-	-	-	(47)	(47)
Balance at 30 June 2004	8,761	170	484	721	85	10,221
<i>Net Book Value</i>						
As at 30 June 2003	33,380	135	566	480	70	34,631
As at 30 June 2004	36,354	679	622	1,060	117	38,832

	Company			
	Leasehold Improvements	Plant and Equipment	Furniture & Fittings	TOTAL
	at cost	at cost	at cost	at cost
	\$'000	\$'000	\$'000	\$'000
<i>Gross Carrying Amount</i>				
Balance at 30 June 2003	2	29	100	131
Additions	-	-	3	3
Balance at 30 June 2004	2	29	103	134
<i>Accumulated Depreciation</i>				
Balance at 30 June 2003	2	4	50	56
Depreciation expense	-	3	16	19
Balance at 30 June 2004	2	7	66	75
<i>Net Book Value</i>				
As at 30 June 2003	-	25	50	75
As at 30 June 2004	-	22	37	59

- (i) The aggregate depreciation allocated during the year is recognised as an expenses and disclosed note 2 to the financial statement;

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

- (ii) Assets under finance lease included in the assets of the Consolidated Entity as at 30 June 2004 – Microwave and Other Equipment with a Net Book Value of : \$312,662 (2003: \$326,988).

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
13. Intangibles				
Goodwill – at cost	11,291	9,512	-	-
Accumulated amortisation	(2,037)	(1,506)	-	-
	<u>9,254</u>	<u>8,006</u>	<u>-</u>	<u>-</u>

The aggregate amortisation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements. In determining recoverable amount the expected future cashflows associated with the business based on current and future forecasts have been discounted to their net present value using a discount rate of 10%.

14. 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 non-current assets of the consolidated entity, except goodwill, have been pledged as security.

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

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
15. Current Payables				
Trade payables	2,431	1,194	186	208
Accrued expenses	729	570	38	274
Sundry creditors	1,049	49	-	2
Other	342	341	1	26
	<u>4,551</u>	<u>2,154</u>	<u>225</u>	<u>510</u>

16. Others

Billing in advance	2,002	1,580	-	-
	<u>2,002</u>	<u>1,580</u>	<u>-</u>	<u>-</u>

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
17. Current Interest-Bearing Liabilities				
<i>Secured:</i>				
Loans – Ausdrill Limited (i)	799	-	-	-
Bank loans – Bankwest	-	920	-	-
Finance lease liabilities (<i>note 28</i>) (ii)	132	197	4	4
	<u>931</u>	<u>1,117</u>	<u>4</u>	<u>4</u>

(i) Secured by a fixed and floating registered debenture mortgage over the assets and undertaking of the operating subsidiaries;

(ii) Secured by assets leased and the current market value of which exceeds the value of the finance lease liability (*note 12*).

18. Current Provisions

Employee entitlements (<i>note 21</i>)	291	172	-	6
	<u>291</u>	<u>172</u>	<u>-</u>	<u>6</u>

19. Non-Current Interest-Bearing Liabilities

Loans – Ausdrill Limited (i)	2,950	-	-	-
Convertible notes – Director related entities (iii)	121	121	121	121
Convertible notes – others (iii)	1,218	2,879	1,220	2,879
Finance lease liabilities (<i>note 28</i>)(ii)	178	106	10	14
	<u>4,467</u>	<u>3,106</u>	<u>1,351</u>	<u>3,014</u>

(i) Secured by a fixed and floating registered debenture mortgage over the assets and undertaking of the operating subsidiaries.

(ii) Secured by the assets and the current market value of which exceeds the value of the finance lease liability (*note 12*).

(iii) 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. Subsequent to the rights entitlement issue approved by shareholders in November 2003, each note is convertible into 12.2825 fully paid ordinary shares and matures on the 28th October 2007.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Consolidated		Company	
	2004 \$ '000	2003 \$ '000	2004 \$ '000	2003 \$ '000
20. Non-Current Provisions				
Employee benefits (<i>note 21</i>)	35	35	-	-
	35	35	-	-

21. Employee Benefits

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

Provision for employee benefits:

Current (<i>note 18</i>)	291	172	-	6
Non-current (<i>note 20</i>)	35	35	-	-
Accrued wages and salaries (i)	288	210	-	-
	614	417	-	6

(i) Accrued wages and salaries are included in the current trade payables balance as disclosed in note 15 to the financial statements.

	2004 No.	2003 No.	2004 No.	2003 No.
Number of employees at the end of financial year	79	54	-	-

	Consolidated		Company	
	2004 \$ '000	2003 \$ '000	2004 \$ '000	2003 \$ '000
22. Capitalised borrowing costs				
Borrowing costs capitalised during the financial year	91	-	-	-
Weighted average capitalisation rate on funds borrowed generally	12%	-	-	-
Investment revenue earned on funds borrowed specifically and deducted from borrowing costs incurred in determining the amount of borrowing costs to be capitalised	-	-	-	-

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

Consolidated		Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

23. Contributed Equity

Contributed Equity

363,914,185 fully paid ordinary shares (2003: 221,348,368)	60,404	74,236	60,404	74,236
Reduction of share capital (ii)	-	(14,804)	-	(14,804)
Issue to directors/executives (note 4)	936	-	936	-
Conversion of Convertible notes	1,660	-	1,660	-
Placement of shares (net of cost \$269,000)	5,231	972	5,231	972
Rights issue (net of cost \$392,000) (i)	5,915	-	5,915	-
	<u>74,146</u>	<u>60,404</u>	<u>74,146</u>	<u>60,404</u>

- (i) The company announced an entitlement rights issue of 63,077,416 shares, on a 2 for 9 basis at 10 cents, to shareholders in November 2003.
- (ii) The shareholders had approved 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 in previous year.

Consolidated		Company	
2004	2003	2004	2003
('000)	('000)	('000)	('000)

Fully Paid Ordinary Share Capital

Balance at beginning of financial year	221,348	211,496	221,348	211,496
Issue to executives/executives pursuant to service contracts	7,500	-	7,500	-
Conversion of Convertible notes	16,988	-	16,988	-
Placement of shares	55,000	-	55,000	-
Rights issue	63,078	9,852	63,078	9,852
Balance at end of financial year	<u>363,914</u>	<u>221,348</u>	<u>363,914</u>	<u>221,348</u>

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

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Consolidated		Company	
	2004 \$ '000	2003 \$ '000	2004 \$ '000	2003 \$ '000
24. Accumulated Losses				
Balance at beginning of financial year	(19,844)	(22,214)	(19,844)	(22,224)
Reduction of share capital	-	14,804	-	14,804
Transfer of minority interests upon acquisition	-	(20)	-	-
Net profit/(loss) after tax attributable to members of the parent entity	1,255	(12,414)	(1,663)	(12,424)
Balance at end of financial year	(18,589)	(19,844)	(21,507)	(19,844)

25. Earnings Per Share

	Consolidated	
	2004 Cents per Share	2003 Cents per Share
Basic earnings per share	0.428	(5.77)
Diluted earnings per share	0.421	(5.77)

Basic earnings per share

The earnings in the calculation of basic earnings per share are:

	2004 \$'000	2003 \$'000
Earning (a)	1,255	(12,414)

	2004 No. ('000)	2003 No. ('000)
Weighted average number of ordinary shares (b)	293,180	215,019

(a) Earning used in the calculation of basic earnings per share reconciles to net profit in the statement of financial performance as follows:

	Consolidated	
	2004 \$'000	2003 \$'000
Net Profit/(Loss)	1,255	(12,414)
Earning used in the calculation of basic EPS	1,255	(12,414)

(b) The converting options and convertible notes are considered to be potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earning per share, Where dilutive, potential ordinary shares are included in the calculation of diluted earning per share (refer below).

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

25. Earnings Per Share (cont'd)

Diluted earnings per share

The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:

	Consolidated	
	2004	2003
	\$'000	\$'000
Earnings (a)	1,255	(12,414)
	2004	2003
	No ('000)	No ('000)
The weighted average number of ordinary shares and potential ordinary shares (b) (c)	298,390	215,019

- (a) Earnings used in the calculation of diluted earnings per share reconciles to net profit in the statement of financial performance as follows:

	Consolidated	
	2004	2003
	\$'000	\$'000
Net Profit/(Loss)	1,255	(12,414)
Earning used in the calculation of basic EPS	1,255	(12,414)

- (b) Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Consolidated	
	2004	2003
	No. ('000)	No. ('000)
Convertible notes	4,783	-
Unlisted options	427	-
	5,210	-

Amcom Telecommunications Limited

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25. Earnings Per Share (cont'd)

- (c) 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:

	Consolidated	
	2004	2003
	No. ('000)	No. ('000)
Directors options	375	375
Employee options	11,295	3,404
Convertible notes	-	25,000
Listed options	-	93,971
Unlisted options	5,000	-
	16,670	122,750

2004		2003	
Cents per Shares	Total \$'000	Cents per shares	Total \$'000

26. Dividends

Unrecognised amounts

Fully paid ordinary shares

Final dividend

Fully franked to 30%	0.25	910	-	-
		910		-

The final dividend in respect of ordinary shares for the year ended 30 June 2004 has not been recognised in this financial report because the final dividend was declared in respect of ordinary shares subsequent to reporting date, in future financial reports the amount disclosed as "recognised" will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

	Company	
	2004	2003
	\$'000	\$'000
Adjusted franking account balance (tax paid basis)	467	-

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

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Consolidated		Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

27. Contingent Liabilities

(i) Bankwest provided a contingent facility to provide bank guarantees on behalf of the Group.

-	196	-	196
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(ii) The Company guaranteed the loans for Bankwest to its operating subsidiary, Amcom Pty Ltd.

-	-	-	920
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(iii) The Company continues to defend an action for rectification, damages and other relief by the former owners of Rescue Technology Group Pty Ltd, Harvey and ors. The claim for damages is in the region of \$1.5m. The company has brought a counter claim against Harvey and ors for an unspecified amount. In the event that the litigated matters proceed to trial, the company believes that based on the evidence presently available, no material liability will arise from the claims.

1,526	1,526	1,526	1,526
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28. Leases

Finance leases

(i) 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

	Minimum future lease payments				Present value of minimum future lease payments			
	Consolidated		Company		Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
No later than 1 year	154	209	5	14	132	197	4	4
Later than 1 year and not later than 5 years	199	121	12	7	178	106	10	14
Later than five years	-	-	-	-	-	-	-	-
Minimum lease payments	353	330	17	21	310	303	14	18
Less future finance charges	(43)	(27)	(3)	(3)	-	-	-	-
Present value of minimum lease payments	310	303	14	18	310	303	14	18
Included in the financial statements as:								
Current interest-bearing liabilities (<i>Note 17</i>)					132	197	4	4
Non-current interest-bearing liabilities (<i>note 19</i>)					178	106	10	14
					310	303	14	18

28. Leases (cont'd)

(ii) Operating arrangements

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

Operating leases relate to office premises and telecommunications access to buildings with lease terms of between 3 to 10 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.

	Consolidated		Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Operating Leases				
<i>Non-cancellable operating leases</i>				
Not longer than 1 year	690	879	-	-
Longer than 1 year and not longer than 5 years	1,635	428	-	-
Longer than 5 years	241	-	-	-
	2,566	1,307	-	-

29. Controlled Entities

Name of Entity	Country of Incorporation	Ownership Interest	
		2004 %	2003 %
Parent Entity			
Amcom Telecommunications Limited (i)	Australia		
Controlled Entities			
Amcom Pty Ltd (ii)	Australia	100	100
Rescue Technology Group Pty Ltd (ii)	Australia	100	100
Future Proof Technologies (WA) Pty Ltd (iii)	Australia	100	100
Amnet Internet Services Pty Ltd (ii)	Australia	100	-
Amnet IT services Pty Ltd (ii)	Australia	100	-
Amnet IX Pty Ltd (ii)	Australia	100	45
Ezesoftwrite Ltd (ii)	Australia	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) Amcom Telecommunications Limited is the head entity within the tax consolidated group
- (ii) These companies are members of the tax consolidated group
- (iii) 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.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

30. Acquisition of businesses

Names of businesses acquired	Proportion of shares acquired	Cost of acquisition
	%	\$'000
Amnet Internet Services Pty Ltd	100	} \$2,143
Amnet IT Services Pty Ltd	100	
Amnet IX Pty Ltd	55	
Ezesoftware Ltd	100	

These entities were acquired on 1 October 2003. Their principal activities include the provision of information technology and ISP services. Further details of the acquisition of business are disclosed in note 33(b) to the financial statements.

31. Segment Information

Segment revenues

	External sales		Inter-segment (i)		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Broadband	14,026	9,993	1,345	257	15,371	10,250
Information Technology	6,090	1,063	-	-	6,090	1,063
Total of all segments					21,461	11,314
Unallocated (interest and others)					234	153
Eliminations					(1,345)	(257)
Consolidated					20,350	11,209

(i) Inter-segment sales are recorded at amounts equal to competitive market prices charged to external customers for similar goods.

Segment results

	2004 \$'000	2003 \$'000
Broadband	3,104	2,050
Information Technology	384	(69)
Total of all segments	3,488	1,981
Unallocated (substantially corporate overheads)	(1,766)	(14,405)
Profit from ordinary activities before income tax expense	1,722	(12,424)
Income tax expense relating to ordinary activities	(467)	-
Profit from ordinary activities after related income tax expense	1,255	(12,424)

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

31. Segment Information (cont'd)

Segment assets and liabilities

	Assets		Liabilities	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Broadband	52,370	38,137	20,396	17,188
Information Technology	7,690	620	4,678	922
Total of all segments	60,060	38,757	25,074	18,110
Eliminations (advances)	(212)	-	(15,837)	(13,502)
Unallocated	8,453	9,967	3,507	3,556
Consolidated	68,301	48,724	12,744	8,164

Other Segment information

	Broadband		Information Technology		Total	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Acquisition of segment assets	5,993	2,678	2,893	177	8,886	2,855
Depreciation and amortisation	3,316	2,619	107	56	3,423	2,675

Products and services within each business segment

For management purposes, the consolidated entity is organised into two major operating entities – Broadband and Information Technology. These segments are the basis on which the consolidated entity reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Broadband Development of high speed technology links and the supply of last mile fibre optic network connections
- Information Technology Data centre management, SMS and managed IT services

The consolidated entity operates in only one geographical segment, being Australia.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

32. Related party and specified executive disclosures

(a) *Equity interests in related parties*

Equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 29 to the financial statements.

(b) *Specified directors' and specified executives' remuneration*

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

(c) *Loan disclosures*

2004	Balance at 1 July 2003 \$'000	Additional \$'000	Balance at 30 June 2004 \$'000	Number in group No.
Specified directors	250	813	1,063	3
Specified executives	-	124	124	2
Total	250	937	1,187	5

Individuals with loans above \$100,000 in the reporting period

2004	Balance at 1 July 2003 (i) \$'000	Additional (ii) \$'000	Balance at 30 June 2004 \$'000	Highest in period \$'000
<i>Specified directors</i>				
Mr. A Grist	-	500	500	500
Mr. E Lee	250	188	438	438
Mr. C Stein	-	125	125	125
Total	250	813	1,063	1,063

- (i) The loan granted to Mr. E Lee as part of executive incentive scheme approved by shareholders in previous year. The company issued 2,500,000 shares at 10 cents funded by company loan and is interest free.
- (ii) Directors and executives are provided with interest free loans to fund the shares issued as part of service contract entitlement as disclosed in note 4 to the financial statements.

These loans are non-interest bearing. Normal commercial rates for similar loans are estimated by the company to be 8%.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

32. Related party and specified executive disclosures (cont'd)

(d) *Specified directors' and specified executives' equity holdings*

Fully paid ordinary shares of Amcom Telecommunications Limited

	Balance @ 1/7/03	Granted as contract entitlement (i)	Net other change	Balance @ 30/6/04	Balance held nominally
	No. ('000)	No. ('000)	No. ('000)	No. ('000)	No. ('000)
<i>Specified directors</i>					
Mr. A Grist	9,054	4,000	14,970	28,024	-
Mr. E Lee	3,792	1,500	1,386	6,678	-
Mr. C Stein	9	1,000	213	1,222	-
Mr. P Clifton	2,307	-	11	2,318	-
Mr. I Warner	1,000	-	300	1,300	-
Mr. A McLean	27,499	-	(499)	27,000	-
<i>Specified executives</i>					
Mr. K Matacz	407	500	967	1,874	-
Mr. J Tan	177	500	365	1,042	-
Total	44,245	7,500	17,713	69,458	-

(i) The shares issued are subject to escrow for a period of two years from 18 September 2003.

Listed options of Amcom Telecommunications Limited

	Bal @ 1/7/03	Granted as contract entitlement	Exercised	Other Change (i)	Balance @ 30/6/04	Balance held nominally
	No ('000)	No ('000)	No ('000)	No ('000)	No ('000)	No ('000)
<i>Specified directors</i>						
Mr. A Grist	3,014	-	-	(3,014)	-	-
Mr. E Lee	196	-	-	(196)	-	-
Mr. C Stein	8	-	-	(8)	-	-
Mr. P Clifton	983	-	-	(983)	-	-
Mr. A McLean	7,500	-	-	(7,500)	-	-
Mr. I Warner	255	-	-	(255)	-	-
Total	11,956	-	-	(11,956)	-	-

(i) Listed options AMMOA expired 31 January 2004.

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

32. Related party and specified executive disclosures (cont'd)

(d) Specified directors' and specified executives' equity holdings

Convertible notes issued by Amcom Telecommunications Limited

	Balance @ 1/7/03	Granted as contract entitlement	Net other change	Balance @ 30/6/04	Balance held nominally
	No. ('000)	No. ('000)	No. ('000)	No. ('000)	No. ('000)
<i>Specified directors</i>					
Mr. A Grist	101	-	-	101	-
<i>Specified executives</i>					
Mr. K Matacz	42	-	(32)	10	-
Mr. J Tan	17	-	(17)	-	-
Total	160	-	(49)	111	-

Executive share options issued by Amcom Telecommunications Limited

	Bal @ 1/7/03	Granted	Bal @ 30/6/04	Bal vested @ 30/6/04	Vested but not exercisable	Vested and exercisable	Options vested during year
	No ('000)	No ('000)	No ('000)	No ('000)	No ('000)	No ('000)	No ('000)
<i>Specified directors</i>							
Mr. A Grist	-	2,500	2,500	-	-	-	-
Mr. E Lee	-	2,500	2,500	-	-	-	-
Mr. C Stein	-	1,500	1,500	-	-	-	-
Mr. P Clifton	375	-	375	375	-	375	-
<i>Specified executives</i>							
Mr. K Matacz	115	1,000	1,115	-	-	-	-
Mr. J Tan	75	1,000	1,075	-	-	-	-
Total	565	8,500	9,065	375	-	375	-

Further details of the options granted during the year are contained in note 4 to the financial statements.

	2004 \$	2003 \$
(e) Other transactions with specified directors		
The profit from ordinary activities before income tax includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with a company related to the Chairman:	62,618	9,000
Shared office rental and others	21,093	9,000
Consultancy fee paid to corporate advisory firm in which Chairman has an interest, in return for analyst services provided by an employee of that firm (not the Chairman).	41,525	-
Total recognised as expenses	62,618	9,000

Amcom Telecommunications Limited

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
33. Notes To The Statement Of Cash Flows				
(a) <i>Reconciliation of Cash</i>				
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	10,730	1,386	7,356	778
	<u>10,730</u>	<u>1,386</u>	<u>7,356</u>	<u>778</u>
(b) <i>Business acquired</i>				
During the financial year, one business was acquired. Details of the acquisition are as follows:				
Consideration				
Cash	2,143	-	2,143	-
	<u>2,143</u>	<u>-</u>	<u>2,143</u>	<u>-</u>
Fair value of net assets acquired				
Current assets				
Cash	98	-	98	-
Receivable	1,424	-	1,424	-
Inventories	7	-	7	-
Non current assets				
Property, plant and equipment	854	-	854	-
Non current liabilities				
Payables	(2,015)	-	(2,015)	-
Net assets acquired	<u>368</u>	<u>-</u>	<u>368</u>	<u>-</u>
Goodwill on acquisition	1,775	-	1,775	-
	<u>2,143</u>	<u>-</u>	<u>2,143</u>	<u>-</u>
Net Cash outflow on acquisition				
Cash consideration	2,143	-	2,143	-
Less cash balances acquired	(98)	-	-	-
	<u>2,045</u>	<u>-</u>	<u>2,143</u>	<u>-</u>

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

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33. Notes To The Statement Of Cash Flows (cont'd)

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>(c) Financing Facilities</i>				
Secured loan facilities with various maturity dates through to 2004 and which may be extended by mutual agreement:				
amount used	3,749	920	-	-
amount unused	4,751	550	-	-
	8,500	1,470	-	-
<i>(d) Reconciliation of Profit From Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities</i>				
Profit/(loss)Loss from ordinary activities after related income tax	1,255	(12,424)	(1,663)	(12,424)
Write down of non current assets	-	12,772	-	12,772
Write (back)/down in investment value	-	-	67	(1,687)
Depreciation of non-current assets	2,910	2,694	18	45
Amortisation of other assets	-	26	-	-
Amortisation of goodwill	531	475	-	-
(Increase)/decrease in assets:				
current receivables	(2,143)	(171)	-	-
current inventories	3	-	-	-
other	(488)	(153)	(49)	94
Increase/(decrease) in liabilities:				
current trade payables	127	(1,397)	(24)	(216)
Other	1,651	724	(273)	276
Net cash from (used in) operating activities	3,846	2,546	(1,924)	(1,140)

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

34. 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

The following table details the consolidated entity's interest rate risk as at 30 June 2004.

2004	Fixed Interest Rate Maturity						
	Average Interest Rate %	Variable Interest Rate \$'000	Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets							
Cash	3.78	10,730	-	-	-	-	10,730
Receivables (note 7)	-	-	-	-	-	5,286	5,286
Deposit (note 9)	-	-	-	-	-	20	20
	-	10,730	-	-	-	5,306	16,036
Financial Liabilities							
Payables (note 15)	-	-	-	-	-	459	4,551
Billings in advance (note 16)	-	-	-	-	-	2,002	2,002
Others – loans (note 17 & 19)	12	-	799	2,950	-	-	3,749
Finance lease (note 28)	8	-	132	178	-	-	310
Convertible notes (note 19)	10	-	-	1,339	-	-	1,339
	-	-	931	4,467	-	6,553	11,951

The following table details the consolidated entity's interest rate risk as at 30 June 2003.

2003	Fixed Interest Rate Maturity						
	Average Interest Rate %	Variable Interest Rate \$'000	Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets							
Cash	3.75	1,386	-	-	-	-	1,386
Receivables (note 1)	-	-	-	-	-	1,629	1,629
Deposits (note 9)	-	-	-	-	-	592	592
		1,386	-	-	-	2,221	3,607
Financial Liabilities							
Payables (note 15)	-	-	-	-	-	3,734	3,734
Bank loans (note 17)	7.00	-	920	-	-	-	920
Finance lease (note 28)	8.00	-	197	106	-	-	303
Convertible notes (note 19)	10.00	-	-	3,000	-	-	3,000
	-	-	1,118	3,105	-	3,734	7,957

Amcom Telecommunications Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2004

34. Financial Instruments

(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 approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements.

35. Additional Company Information

The parent entity in the consolidated entity is Amcom Telecommunications Limited. Amcom is a listed public company, incorporated and operating in Australia.

Registered office

43 King Edward Road
Osborne Park
WA 6017
Tel : (08) 9244 6000

Principal administration office

43 King Edward Road
Osborne Park
WA 6017
Tel : (08) 9244 6000

Amcom Telecommunications Limited

ADDITIONAL STOCK EXCHANGE INFORMATION AS AT 26 SEPTEMBER 2004

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

	Fully Paid Ordinary Shares	Convertible Notes
1 - 1,000	559	3
1,001 - 5,000	1,587	5
5,001 - 10,000	735	18
10,001 - 100,000	1,382	26
100,001 and over	282	1
	4,545	-
Number of shareholders holding less than a marketable parcel	1,383	-

SUBSTANTIAL SHAREHOLDERS

	Fully Paid	
	Number	Percentage
<u>Ordinary Shareholders</u>		
Vickner Pty Ltd	83,060,102	22.82
National Nominees Ltd	47,876,073	13.16
Anthony Grist	28,024,139	7.70
Andrew McLean	27,000,000	7.42

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

<u>Ordinary Shareholders</u>	Fully Paid	
	Number	Percentage
Vickner Pty Ltd	83,060,102	22.82
National Nominees Ltd	47,876,073	13.16
Mr Andrew McLean	27,000,000	7.42
Argonaut Capital Ltd – (Farcross Holdings Pty Ltd)	10,000,000	2.75
Argonaut Capital Ltd – (Oaktone Nominees Pty Ltd)	10,000,000	2.75
Mr Eddy Yip Hang Lee	5,150,532	1.42
Truat Pty Ltd	4,277,778	1.18
Gwynvill Trading Pty Ltd	4,215,850	1.16
Oaktone Nominees Pty Ltd (the Grist Investment A/c)	4,024,139	1.11
Mr Anthony Grist	4,000,000	1.10
J P Morgan Nominees Australia	3,892,161	1.07
Mr Ray John Wilson	3,783,375	1.04
Mr Jamie Phillip Boyton	3,527,778	0.97
Instanz Nominees Pty Ltd	3,070,625	0.84
HSBC Custody Nominees (Australia) Limited	2,780,110	0.76
Mr John O'Rourke + Mrs Patricia O'Rourke	2,701,112	0.74
Citicorp Nominees Pty Ltd	2,691,809	0.74
Idameneo (No 79) Nominees Pty Ltd	2,522,680	0.69
Westpac Customdian Nominees Ltd	2,293,284	0.63
Mr John O'Rourke	2,260,042	0.62
Total	229,127,450	62.96

Amcom Telecommunications Limited

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

<u>Convertible Note Holders</u>	Notes	
	Number	Percentage
K P L Limited	330,131	29.56
Capital Telecommunications Pty Ltd	76,000	6.80
Mr Donald Norman Consultants	50,000	4.48
Mr Hendricus Indrisie & Mr Tristan Indrisie	50,000	4.48
J E Barrett Equities Pty Ltd	41,650	3.73
Mrs Renata Gray	30,330	2.72
Mr Alan Thynne	29,155	2.61
Oaktone Nominees Pty Ltd	25,000	2.24
Accomplished Gas & Mechanical Services Pty Ltd	20,000	1.79
Andover Pty Ltd	20,000	1.79
Mr Julian Andrew	20,000	1.79
Mr Noel Frederick	16,660	1.49
Clamp Electrical Services Pty Ltd	16,660	1.49
Claydon Trading Co Pty Ltd	16,660	1.49
Mr Kingsley Fiske + Mrs Marlene Fiske	16,660	1.49
Mr Robert Stirling Gilmour + Mrs Laura Gilmour	16,660	1.49
Mr Peter Edwin Harris+ Mrs Sandra Claire Harris	16,660	1.49
Mr Robert Hart	16,660	1.49
Mr Robert Johnson + Mrs Helen Johnson	16,660	1.49
Mr Peter William Lowe + Mrs Rosalind Grace Lowe	16,660	1.49
Total	842,206	75.4

Amcom Telecommunications Limited

Company secretary

Mr. Karl Matacz MBA CPA

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 Ltd
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 convertible notes are quoted on the Australian Stock Exchange Limited (ASX:AMMG).