

Company Announcement Office
Australian Stock Exchange
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000



BigAir Group records strong growth in Revenue and Gross Profit for the Full Year ended 30 June 2007

SYDNEY, Australia – August 31, 2007: The directors of BigAir Group Ltd (ASX:BGL), a leading provider of wireless broadband solutions for the business and carrier markets, have announced the trading results for the first full financial year as a publicly listed company. The Directors are pleased to announce that revenues increased by 32% for the year ended 30 June 2007. Consolidated revenue for 2006-7 was \$9.1 million, which is an increase of 32% from the comparable period in 2005-6 of \$6.9 million. Most of the revenue and margin improvements are attributed to organic growth within the business.

BigAir Group financial and operational highlights include:

- Sales revenue up by **32%** to **\$9.1 million**
- Gross profit up by **60%** to **\$3.2 million** (doubling revenue growth rate)
- EBITDA loss reduced by **8%** to **\$0.98 million**
- Record full year growth of **106%** in high speed fixed wireless broadband services
- Cash receipts from customers increased by **20%** to **\$9.6 million**
- Net cash outflows from investing activities reduced to **\$1.3 million** (2006: \$1.6 million).
- The company repaid all loans and convertible notes outstanding during the year and maintained a closing cash balance exceeding **\$2.7 million**.

	Year ended 30 June 2006 \$000	Year ended 30 June 2007 \$000	Movement \$000	% Change
Total Revenue	6,890	9,103	2,213	32% increase
Gross Profit	2,000	3,207	1,207	60% increase
Gross Margin (% Rev)	29%	35%	6%	21% increase
EBITDA* loss	(1,067)	(983)	(84)	8% decrease

* Earnings before interest, tax, depreciation and amortisation

Review of Operations

With an increased focus on sales of its high speed fixed wireless broadband services during the year the Company was able to achieve record growth of more than 106% for this high margin business line, with revenues reaching \$2.2 million. BigAir launched a wholesale channel model for its wireless local loop services in October 2006 which has helped establish more than 40 channel partners. This network is an ideal alternative to Telstra's (ASX:TLS) aging copper network since BigAir's wireless service by-passes the Telstra network completely and is suitable for its business customers and carrier partners to carry high-speed data, VoIP and video services. The fixed wireless share of total operating revenues almost doubled from 15% in the previous corresponding period to 24%. In the most recent month of July 2007 the fixed wireless share of total operating revenues had reached almost 34%, and its share of gross profit had reached a record 65%, almost double the contribution from the lower margin mobile services.

	Year ended 30 June 2007 \$000	Year ended 30 June 2006 \$000	Movement \$000	% Growth
Mobile Wireless division	6,929	5,834	1,095	19%
Fixed Wireless division	2,174	1,055	1,119	106%
Total Revenue	9,103	6,890	2,213	32%

Mobile Wireless revenues increased by 20% to \$6.9 million versus the previous corresponding period. Due to increasing competition in the mobile wireless market the Board has reviewed the carrying value of the goodwill in relation to its Veritel subsidiary which contains the mobile businesses and has elected to make a goodwill write-off of \$330,000. Following this write-off the carrying amount of goodwill on the balance sheet date has been reduced to \$2,256,645.

The gross profit margin contribution from the fixed wireless business unit was just under 50% for the full year. As a result of the higher growth in fixed wireless services the overall gross profit margin for the year has increased to 35% from 29% in the prior year. There were no new acquisitions of either companies or customer bases during the financial year.

In November 2006, BigAir was ranked 4th fastest overall in Australia in the 2006 Deloitte Technology Fast 50 award, for achieving 4,317 percent revenue growth over the last three years. This award acknowledges the company's positioning in the fastest growing sector of the telecommunications industry.

The company also announced in July 2007 that it will be the first metropolitan carrier to upgrade its wireless network to WiMAX technology and it also announced the construction of its WiMAX network in Melbourne which will be operational within the month. The company expects to complete the migration of its existing Melbourne customer base to its own WiMAX network over the next several months which will lead to a reduction in its external carrier costs and an improvement in EBITDA. The WiMAX technology the company has

selected will lead to many service enhancements including faster speeds and quality of service enhancements. WiMAX is expected to provide additional revenue opportunities for the company this financial year and will also lead to a reduction in capital expenditure attributable to the lower costs of equipment based on WiMAX which is a global standard.

On 27 July, BigAir Group Limited appointed new directors, Mr Ray Catelan, Mr Patrick Choi and Mr Danny Herceg. Mr Catelan is a successful entrepreneur and the current Managing Director of ASX listed CMI and past major shareholder and Managing Director of RP Data, which completed a successful ASX listing in December 2006. Mr Choi is a significant founding shareholder and Chief Financial Officer of BigAir. Mr Danny Herceg has been appointed Chairman of BigAir and is also a non-executive director of ASX listed CMI and the Managing Director of legal firm Herceg Lawyers.

About BigAir Group Limited:

BigAir is a wireless broadband service provider, which offers high-speed data telecommunications services to customers over three state of the art wireless networks in Australia. BigAir owns and operates its own fixed WiMAX network covering the greater Sydney metro area with Melbourne expected to be operational in August 2007. BigAir is also the largest provider of services on the iBurst mobile wireless network which has coverage in most Australian Capital cities as well as the Gold Coast. BigAir also provides services on the Unwired network which has coverage in Sydney and Melbourne. Access to these three leading wireless networks positions BigAir as the leading integrated wireless solutions provider in Australia. BigAir is able to offer a range of wireless communication solutions including high-speed symmetric fixed broadband services from 2Mbps to 100Mbps, as well as mobile data and portable data services at 1Mbps. The company also offers email and web hosting as well as data centre co-location services. For more information, please visit www.bigair.com.au.

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Preliminary Final Report of BigAir Group Limited for the Financial Year Ended 30 June 2007

(ABN 57 098 572 626)

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period: Financial Year ending 30 June 2007

Previous Corresponding Period: Financial Year ending 30 June 2006

Source Reference: ASX Appendix 4E.1, ASX Listing Rules 4.3C.1

BigAir Group Limited

Results for announcement to the market

Name of entity: BigAir Group Limited

1. Details of the reporting period

Current Period: 1 July 2006 – 30 June 2007

Previous Corresponding Period: 1 July 2005 – 30 June 2006

2. Results for announcement to the market

			Percentage Change %	Amount \$
2.1	Revenue	Up	32	to 9,103,496
2.2	Net loss attributable to members	Up	46	to (1,943,147)

			Amount per security	Franked amount per security
2.3	Dividends (Distributions)			
	Final dividend		Nil	Nil
			Nil	Nil
2.4	Record date for determining entitlements to the dividend:			
	• Interim dividend		N/a	
	• Final dividend		N/a	

2.5 **Brief explanation of Revenue, Net Profit and Dividends (Distributions):**

The revenues for the period have increased during the current year due to organic growth. See also the Review of Operations in the attached Directors' Report.

3. Statement of financial performance with notes

Refer attached financial statements.

4. Statement of financial position with notes

Refer attached financial statements

5. Statement of cash flows with notes

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BigAir Group Limited

Results for announcement to the market

Refer attached financial statements

6. *Details of dividends / distributions*

No dividends have been paid during the period and the directors do not recommend that a dividend be paid.

7. *Details of dividends / distribution reinvestment plan*

The company does not have a dividend reinvestment plan.

8. *Statement of retained earnings showing movements*

Refer attached financial statements.

9. *Net tangible assets per security*

	Current Period	Previous corresponding period
Net asset backing per share	7.6 cents	13.2 cents
Net tangible asset backing per share (i)	4.3 cents	7.3 cents

(i) Excludes goodwill on acquisition and other intangible assets

10. *Control gained or lost over entities during the period*

There were no changes in the structure of the Group during the period.

11. *Details of associated and joint*

The Group does not have any interests in associates or joint ventures.

12. *Other significant information*

Refer attached financial statements (Directors notes).

13. *Accounting standards used by foreign entities*

Not applicable.

14. *Commentary on results*

	Current Period	Previous corresponding period
14.1 Earnings per share	(2.3) cents	(2.2) cents
14.2 Return to shareholders - dividends	Nil	Nil

14.3 *Significant features of operating performance*

Results for announcement to the market

Refer the attached financial statements (Directors' report)

14.4 **Segment results**

The principal activity of the company during the year was the provision of wireless broadband services to business. Refer the attached financial statements.

14.5 **Trends in performance**

The company continues to grow both its sales and its customers as a result of its expansion of its network and the increase in the range of products demanded by business.

14.6 **Other factors**

Other factors which have affected the results in the period or which may affect the results in the future.

Assets

- The company has cash reserves exceeding \$2.7 million.

Equity

- The company has an equity base exceeding \$6.5 million.

Cash flow from operating activities

- Cash receipts from the customers increased to \$9,583,913 for the year (2006: \$8,010,909)

Cash flow from investing activities

- Net cash outflows from investing activities were \$1,329,818 (2006: \$1,616,058). Of this \$1,030,453 (2006: \$686,846) relates to the purchase of equipment relating to customer growth and expansion of the network.

Cash flow from financing activities

- The company repaid all loans and convertible notes outstanding during the current financial year.

15. Audit / review of accounts upon which the report is based

This report is based on accounts which have been audited (refer attached financial statements).

16. Accounts not yet audited or reviewed

Not applicable (see above).

17. Qualification of audit / review

There was no qualification

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BigAir Group Limited

ABN 57 098 572 626

Annual report
for the year ended 30 June 2007

BigAir Group Limited

Annual report for the year ended 30 June 2007

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Corporate governance statement

The Board is committed to sound corporate governance to ensure stakeholder expectations are met and that the company is in compliance with the Australian Stock Exchange (ASX) Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (*ASX Recommendations*). The ASX Recommendations provide a corporate governance framework for ASX listed companies.

As required by the ASX Listing Rules this statement sets out the extent to which the company has complied with the ASX Recommendations during the financial year to 30 June 2007 and identifies any of the ASX Recommendations not followed and the reason why the company has not adopted the ASX Recommendations. This statement adopts the ordering and numbering of the ASX Recommendations.

Principle 1: Lay solid foundation for management and oversight

The Board has adopted a charter that details the roles and responsibilities of the Board and its members and their relationship with management to achieve the objectives of delivering shareholder value. The Company is in the process of updating its website to include a section on Corporate Governance. As part of this process the Board's Charter will be available for access by shareholders and the general public. (ASX Recommendation 1.1).

Collectively, the Board is responsible and accountable to the shareholders for the overall performance of the business and for determining the strategic direction of the company. The Board has delegated specific authority to the various Committees of the Board and the Managing Director.

Principle 2: Structure the board to add value

The Board considers that there should be an appropriate mix of skills, personal attributes and experience to enable the Board and individual directors to discharge their duties and responsibilities in the interest of and to maximize shareholder value.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are set out in the Director's Report which immediately follows on from this Corporate Governance Statement. (*ASX Recommendation 2.5*)

The membership of the Board during the 2007 financial year, including independence and date of appointment was as follows:

Director	Status	Date of Appointment
Anthony Tobin	Non-Executive Independent Chairman	20 October 2005
Jason Ashton	Executive Director and Chief Executive Officer	7 June 2002
Shane Allan	Independent Director	20 October 2005
Ivan Hurwitz*	Executive Director	20 October 2005
Anne Lenagan	Independent Director	20 October 2005
Nigel Jeffries	Non-Executive Director	9 May 2006

* Executive Director Ivan Hurwitz resigned from the company and resigned as a director effective 3rd November 2006.

Corporate governance statement

The company has in place a number of practices relating to the division of responsibilities including the Chairman having been an independent director. (ASX Recommendations 2.2 and 2.3) Once the website is updated to incorporate Corporate Governance these policies will be available for general viewing.

On 27th July 2007 Messrs Tobin & Allan and Ms Lenagan resigned as Directors and Messrs Choi, Catelan and Herceg were subsequently appointed to the Board. Further details, including skills and experience, in respect of these three new directors are set out in the Director's Report which follows this Corporate Governance Statement.

Independent Directors (ASX Recommendation 2.1)

It is important to recognize the need for independent directors to provide oversight to ensure that the Board and senior management are accountable to shareholders for the performance of the company. The independence of the Directors' is assessed annually against the following criteria:

- is not a substantial shareholder or representative of a substantial shareholder, with a substantial shareholder being one with five percent or more of the company's voting securities;
- Has not, within the last three years, been employed in an executive capacity by the company or other Group member or being a director after ceasing to hold any such employment;
- Within the last three years has not been a principal of a material professional advisor or a material consultant to the company or another Group member or an employee materially associated with the service provider;
- Is not a material supplier or customer of the company or another Group member or otherwise associated with a material supplier or customer;
- Has no material contractual relationship with the company or any associated Group member other than as a director of the company;
- Has not served on the Board for a period in excess of the company's agreed tenure rules and
- Has no interest or relationship that could, or could reasonable be perceived to, materially interfere with the Directors ability to act in the best interest of the company.

During the financial year three Directors were, based on the above criteria, considered independent. None of the current Directors are independent based on these criteria. However, the company is of the opinion that Messrs Catelan and Herceg bring extensive experience and understanding of operating in an entrepreneurial environment and have specialist knowledge and expertise in this business sector which will assist management in building the business operations of the company for the benefit of all shareholders.

The Board Committees

Two Board Committees have been established to assist in the discharge of the Board's responsibilities, the Audit Committee and a Nomination and Remuneration Committee. It has been the Boards policy that these Committees be chaired by an Independent Director; however this will not be the case in the current financial year. (ASX Recommendation 2.4 and 4.3). The Board may, at its discretion, establish other special purpose committees. The membership of these two committees during the 2007 financial year is outlined below.

Corporate governance statement

Committee Membership	Audit Committee	Nominations & Remuneration Committee
Anthony Tobin	Member	Chairman
Jason Ashton	In attendance	-
Shane Allan	Chairman	-
Anne Lenagan	Member	Member
Nigel Jeffries	-	Member

Audit Committee

The main objective of the Audit Committee is to oversee the quality and integrity of the accounting, auditing, financial reporting and compliance practices of the company including:

- Oversee the compliance of the financial statements with legislative and other mandatory reporting requirements;
- Making informed decisions in relation to accounting and regulatory policies, practices and disclosure requirements and reviewing the scope and results of the external audits;
- Provide a direct line of communication between directors and the external auditors;
- Monitor the effectiveness of internal control systems and
- Review the Group's commercial practices and policies.

In addition to the non-executive director members, Audit Committee meetings are attended by members of management and external auditors as appropriate.

Nomination and Remuneration Committee (ASX Recommendation 2.4)

The Nomination and Remuneration Committee role is to consider the structure and balance of the Board including, when necessary, selecting candidates for the position of director as well as providing maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately.

The Committee's primary functions are:

- To set director competence standards and review Board succession plans;
- To evaluate the Board's, Committees and Individual directors performance;
- To make recommendations to the Board on:
 - executive remuneration and incentive policies;
 - the company's recruitment, retention, performance management and termination policies for senior management;
 - medium and long term incentive plans; and
 - the remuneration framework for directors.

The Nomination and Remuneration Committee has adopted a charter that details the role and responsibilities of the Committee and its members. The charter is currently being reviewed and updated and will, following adoption by the Board, be posted on the company's website following inclusion of the Corporate Governance section. All members of the Remuneration and Nomination Committee were non-executive directors for the financial year.

Give the recent change in the composition of the Board, including reducing the number of non-executive members, it has been resolved that the function of these committees will be undertaken by the Board, excluding the executive directors, for the foreseeable future.

Corporate governance statement

Principle 3: Promote ethical and responsible decision making

Directors and the Senior Executive Team are required to maintain the highest legal, moral and ethical standards of conduct. The Board has adopted the Code of Conduct and Ethics which provides guidance for all staff on compliance with legal and other obligations in a way that enhances the reputation of the company. (ASX Recommendation 3.1)

Directors and the Senior Executive Team are encouraged to own shares in the company purchased in accordance with the company's Securities Trading Policy. Under this Policy, Directors and the Senior Executive Team are also prohibited from dealing in securities of BigAir during designated periods and at any time at which the individual is in possession of price-sensitive information. (ASX Recommendation 3.2)

The Code of Conduct and Ethics and Securities Trading Policy, are currently being reviewed and updated and will, following adoption by the Board, be posted on the company's website following inclusion of the Corporate Governance section. (ASX Recommendation 3.3)

Principle 4: Safeguard integrity in financial reporting

The company's Board is committed to ensuring the integrity of the company's financial reports. To assist the Board in fulfilling this commitment the Audit Committee, which was comprised of three Independent Directors, has adopted processes which are aimed at providing assurance that the financial statements and related notes are in accordance with applicable accounting standards and provide a true and fair view. Compliance with these procedures and policies is subject to review by the external auditors. The Committee approves and oversees the implementation of any new accounting policies or processes. (ASX Recommendations 4.2 and 4.3)

The Committee provided a link between the external auditors and the Board, and monitored compliance with the company's statutory responsibilities. The Committee is responsible for making recommendations on the appointment, evaluation and dismissal of external auditors, setting fees and ensuring that the external auditors report to the Committee and the Board. The Committee reviews the performance and independence of the external auditors on an annual basis.

BigAir is also committed to auditor independence. The Committee reviews the independence and objectivity of the external auditor.

The Chief Executive Officer and the Chief Financial Officer provide the Board with written confirmation that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and that the operational results are in accordance with relevant accounting standards. (ASX Recommendation 4.1)

The Audit Committee has adopted a charter that details the composition, role and responsibilities of the Committee. The charter is currently being reviewed and updated and will, following adoption by the Board be available on the company's website. (ASX Recommendations 4.4 and 4.5)

As noted above, with the reduction in the number of non-executive directors, the role of the Audit Committee will be assumed by the Board, excluding the two executive directors where appropriate, for the foreseeable future.

Corporate governance statement

Principle 5: Make timely and balanced disclosure

The company believes that shareholders, regulators and the investment community generally should be fully informed of events and risks that impact the company in a timely and accessible manner. The company adopted a Continuous Disclosure Policy in 2005. The policy is currently being reviewed and updated and will, following adoption by the Board be available on the company's website. The Board continuously monitors for compliance. (*ASX Recommendations 5.1 and 5.2*)

The Policy ensures the company complies with its continuous disclosure obligations, as defined under the Corporations Act and ASX Listing Rules, in respect of price-sensitive information which is lodged with the ASX as soon as practical and before disclosure to external parties.

Principle 6: Respect the rights of the shareholders

It is the policy of the company that all external communications are factual, timely, do not omit material information and are expressed in a clear and objective manner. Email communication of ASX announcements is currently provided to just over half of all shareholders and the company is actively perusing broader email communication with shareholders.

The principal communication channels are through the provision of the annual and half yearly reports, periodic analyst and media briefings, the distribution of specific material covering major transactions and events and the Annual General Meeting. Notices of Meeting will be accompanied by explanatory notes on the items of business and together they will seek to clarify and explain the nature of the business of the meeting. The company notes the ASX Recommendation that the company have a written policy in respect of external communications however the Board and management are of the opinion that the size of the organization and the internal lines of communication are such that a formal written policy is not warranted at this time. (*ASX Recommendation 6.1*)

The Board's philosophy is to encourage full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the company's strategy and goals.

The external auditor attends the Annual General Meeting and is available to answer questions about the conduct of the audit and the preparation and content of the auditor's report. (*ASX Recommendation 6.2*)

Principle 7: Recognise and manage risk

There are substantial risks in the market in which the company operates. While it is important that risks are identified and monitored by management and the Board, it is not possible for the company to eliminate all risks. Management monitors risk and provides monthly updates to the Board and responds to issues raised by the Board. The company notes the ASX Recommendation that the company has a written policy in respect of risk however, as with external communications, the Board and management are of the opinion that the size of the organization and the internal lines of communication are such that a formal written policy is not warranted at this time. (*ASX Recommendation 7.1*)

Management and the Board are responsible for the company's internal controls. The Board monitors operational and financial aspects and, through the Audit Committee, considers the advice of external auditors and other external advisers on operational and financial risks which the company faces.

Corporate governance statement

The Chief Executive Officer and Chief Financial Officer provide written assurance to the Board as to the integrity of the financial statements and that they are founded on a sound system of risk management and internal controls which are operating effectively and efficiently. (*ASX Recommendations 7.2 and 7.3*)

Principle 8: Encourage enhanced performance

The Board undertakes a formal performance assessment including an assessment of the Board and Committees and individual Directors. These performance assessments, given the size of the Board and the Committees, are conducted on a bi-annual basis to enable appropriate time to be devoted to the process. Performance review of individual directors was undertaken during the year with the Directors completing a written questionnaire and the Chairman then conducted individual interview. The results of the questionnaire and interview were compiled including quantitative and qualitative analysis with the results being discussed and recommendations adopted by the Board.

Employees, including key executives, participate in annual 360° performance reviews with their manager, where performance targets are set and achievement of key objectives for the prior twelve months are discussed and measured.

The company notes the ASX Recommendation that the company publishes the process for performance evaluation of the Board, its committees, individual directors and senior executives. However the Board and management are of the opinion that these processes and policies are still in the development phase and as such inappropriate to be published. (*ASX Recommendation 8.1*)

Principle 9: Remuneration fairly and responsibly

The company's remuneration policy and practices are designed to attract, motivate and retain high-quality people and are contained in the Remuneration Report contained in the Directors' Report in relation to the Directors and senior executives (see pages 14-15).

The company recognises that investors need to understand the cost and benefits of those policies and the link between remuneration paid and corporate performance. Details are contained in the Remuneration Report. The Board has established a Nominations and Remuneration Committee which conformed during the financial year to the ASX Recommendations in relation to composition and chair. However this will not be the case in the current financial year. Further details in relation to the Committee, including the number of meetings held and membership, are disclosed in the Directors' Report. (*ASX Recommendation 9.1, 9.2 and 9.3*)

The company's Employee Share Plan and Share Option Plan were approved by shareholders at the 2005 Annual General Meeting, prior to the company listing on the Australian Stock Exchange Limited. A description of the Share Option Plan is provided in the Financial Report including the number of options on issue, details of expiry dates and exercise price. No shares there have been issues under the Employee Share Plan. (*ASX Recommendation 9.4*)

The remuneration for non executive directors is detailed in the Remuneration Report and in accordance with the ASX Recommendations there are no termination payments other than payments accruing from superannuation contributions comprising part of the Director's remuneration. (*ASX Recommendation 9.3*)

Corporate governance statement

Principle 10: Recognising the legitimate interests of stakeholders

The Board has adopted the Code of Conduct and Ethics and the policies discussed under Principle 3 provide guidance for dealing with third parties and external stakeholders. The Code of Conduct and Ethics will be available for general viewing once the Corporate Governance section of the website is completed. *(ASX Recommendation 10.1)*

In addition the company has documented policies on equal opportunity and standards of workplace behavior which are communicated to employees at the time of employment and reinforced by continuous performance management, employee training programs and incorporated into the Employee Handbook which is made available to all employees.

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BigAir Group Limited

Directors' report for the financial year ended 30 June 2007

The directors of BigAir Group Limited submit herewith the annual financial report of the company for the year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

Name	Particulars
Danny Herceg (Non-Executive Chairman)	Aged 40. Danny is a senior corporate and commercial lawyer with a specialisation in capital raisings, mergers and acquisitions, privatisations, restructurings and venture capital. Danny commenced practise in 1990 after completing degrees in science and law. He was a capital raisings partner of Gilbert + Tobin before establishing Herceg Lawyers in 2002.
Anthony Tobin (Resigned Non-Executive Independent Chairman)	B.A. LLB, aged 59. One of the founders of Gilbert + Tobin. Mr. Tobin has over 30 years' experience as a corporate and commercial lawyer, advising listed and private companies on corporate governance and on a broad range of corporate transactions covering M&A, infrastructure and large complex transactions. Chairman of Nomination and Remuneration Committee. Member of Audit Committee.
Jason Ashton (Executive Director)	B.Sc, M. Comm, aged 35. Co-founded BigAir in 2002. Previously co-founded business ISP Magna Data in 1993, which was acquired by Davnet Limited in 1999 for \$20m. Also served as CEO of DavTel Pty Ltd, Australian subsidiary of NTT Communications (Japan).
Patrick Choi (Executive Director)	Aged 39. B Computer Science, MBA. Co-founded BigAir in 2002. Extensive telecommunications and IT industry experience, formally executive director at Powertel Limited. Previously based in New York at SK Telecom International.
Ray Catelan (Non-Executive Director)	Aged 57. Ray has extensive commercial and management experience both in public and private company environments including more than 12 years in the IT industry. Ray founded RP Data in 1991 and was the managing director. RP Data was listed on the Australian Stock Exchange in December 2006.
Nigel Jeffries (Non-Executive Director)	Aged 43. New Zealand based investor and substantial shareholder of BigAir. CEO of RPNZ Ltd, a wholly owned subsidiary of RP Data Pty Ltd. Member of Nomination and Remuneration Committee.
Shane Allan (Resigned Non-Executive Independent Director)	B Commerce, MBA, aged 58. Extensive experienced in telecommunications industry, most recently serving as CEO of Powertel Limited and previously Finance Director, Telstra. Chairman of Audit Committee.
Anne Lenagan (Resigned Non-Executive Independent Director)	B.A. aged 57. Experienced marketing and business executive. Has held senior board position at Unilever including executive director of Unilever Australia Pty Ltd and Unilever New Zealand Pty Ltd. Member of Audit Committee and Chairperson Nomination and Remuneration Committee.
Ivan Hurwitz (Retired Executive Director)	Aged 42. Co-founder of Veritel Wireless. Established Digital Subscriber Line ("DSL") business for Netcomm Ltd. Founded GM Sales for Quadtel Limited and BCA.

The above named directors held office of the company during and since the end of the financial year except for:

BigAir Group Limited

Directors' report (cont'd)

Ivan Hurwitz – resigned 3 November 2006
Anthony Tobin – resigned 27 July 2007
Shane Allan – resigned 27 July 2007
Anne Lenagan – resigned 27 July 2007
Ray Catelan – appointed 27 July 2007
Patrick Choi – appointed 27 July 2007
Danny Herceg – appointed 27 July 2007

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Ray Catelan	RP Data Limited	From December 2006 to now
Shane Allan	Orion Telecommunications Limited	From 4 May 2006 to now

Former partners of the audit firm

None of the officers of the company were a partner in the auditor of the Group at any time prior to or during the financial year.

Company secretary

Name	Particulars
Patrick Choi	B Computer Science, MBA, aged 39. Co-founded BigAir in 2002. Extensive telecommunications and IT industry experience, formally executive director at Powertel Limited. Previously based in New York at SK Telecom International.

Principal activities

The consolidated entity's principal activity in the course of the financial year was providing broadband wireless communications services to the residential and business market.

There was no significant change in the nature of the business activities of the consolidated entity during the year. During the previous financial year, the company acquired 100% of the share capital of Veritel Australia Pty Limited, a reseller and provider of iBurst and Unwired internet services, which led to the formation of a consolidated entity.

In addition, in the previous financial year the consolidated entity acquired further iBurst customer bases from two separate resellers of iBurst and also acquired customers from WHome, a broadband customer base owned by E-Pay Asia Limited (formerly SkynetGlobal Limited). Details of these acquisitions are contained in note 19 and 29 to the financial statements.

BigAir Group Limited

Directors' report (cont'd)

Review of operations

For the 2007 financial year, the consolidated entity's revenues increased by 32% to \$9,103,496 from the comparable period in 2006 of \$6,889,858. Gross Profit increased by 60% to \$3,207,208 from \$2,000,147 during the same period, which is almost double the revenue growth rate.

The results are set out in the following table:

	Year ended 30 June 2007 \$000	Year ended 30 June 2006 \$000	Movement \$000	% Change
Total Revenue	9,103	6,890	2,213	32
Gross Profit	3,207	2,000	1,207	60
EBITDA*	(983)	(1,067)	84	(8)

* Earnings before interest, tax, depreciation and amortisation

The mobile wireless broadband division generated \$6,929,521 (2006: \$5,834,574) in revenue for the financial year and the fixed wireless broadband division recorded \$2,173,975 (2006: \$1,055,284) in revenue which was an increase of 106 % over the previous year.

The gross profit margin contribution from the fixed wireless business unit was just under 50% for the full year. However due to increasing focus and growth on the fixed wireless business the gross margin contribution from the fixed wireless business unit in absolute dollar terms had grown to 200% of the mobile business unit for the month of June 2007. As a result of this growth the overall gross profit margin for the year has increased to 35% from 29% in the prior year. There were no new acquisitions of either companies or customer bases during the financial year.

The company is a leading provider of business quality wireless broadband services with a unique and comprehensive wireless offering in two main service areas. The first includes mobile wireless services for laptop users, based on wholesale access to leading mobile data networks. The second is a very high speed fixed wireless broadband service offering which is offered to its channel partners which include ISP and carrier partners. The fixed wireless broadband services are offered directly to business and corporate customers. These high speed services utilise BigAir's own infrastructure, which competes directly with competitors' expensive fibre-optic and copper based offerings.

The company announced in July 2007 that it has started the upgrade of its Sydney network to fixed WiMAX technology and is also building a WiMAX network in Melbourne which will soon be operational. The fixed WiMAX technology will lead to many service enhancements including faster speeds and quality of service enhancements. WiMAX is expected to provide additional revenue opportunities for the company in the new financial year and will also lead to a reduction in capital expenditure attributable to the lower cost of equipment based on WiMAX which is a global standard.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity.

Subsequent events

Other than as noted in the Share options section, below, and the changes in the composition of the Board, there has not been any matter or circumstance occurring subsequent to 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.

Directors' report (cont'd)

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

In respect of the financial year ended 30 June 2007, no dividend was declared or paid. The company has not paid a dividend in relation to the previous financial year.

Share options

No new options were granted by the company during the financial year to any director or to any of the five most highly remunerated officers of the company as part of their remuneration, and 1,920,000 options granted in the previous financial year were cancelled by forfeiture during the year by mutual agreement. The share options cancelled by forfeiture were in relation to the following former director:

Director	Options cancelled
Ivan Hurwitz	1,920,000

Since the end of the financial year the company has granted share options to one key management personnel of the company as part of their remuneration:

Executive	Options granted
Matt McGuire	800,000

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BigAir Group Limited

Directors' report (cont'd)

Shares under option or issued on exercise of options

No shares were issued during or since the end of financial year as a result of the exercise of an option over unissued shares.

Details of unissued shares under option issued by the company are:

Directors and Executives	Number of shares under option	Class of shares	Exercise Price	Expiry date of options
Anthony Tobin	720,000	Ordinary shares	40 cents	15 July 2008
Shane Allan	720,000	Ordinary shares	40 cents	15 July 2008
Anne Lenagan	720,000	Ordinary shares	40 cents	15 July 2008
Jason Ashton	1,920,000	Ordinary shares	40 cents	3 April 2011
Patrick Choi	1,920,000	Ordinary shares	40 cents	3 April 2011
David Keane	1,920,000	Ordinary shares	40 cents	3 April 2011

Under the terms of the option agreements, the right to exercise the options will vest when the share price reaches 40 cents and stays above that price for at least 30 days. It has been assumed that the options will vest within 3 years (directors) to 5 years (executives) from the grant date, based on the assumed volatility of the share and the terms of the option agreements.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue of the company.

Indemnification of officers and auditors

In June 2007 the company paid a premium in respect of a contract insuring the directors, the company secretary and all executive officers of the company against a liability incurred by a director or officer to the extent permitted by the Corporations Act 2001. The insurance cover is effective from 19 June 2007 for a period of 12 months.

Under the provisions of the constitution of the company, to the extent permitted by law, each officer of the company is indemnified by the company against liability incurred to another person (other than the company or a related body corporate) except where the liability arises out of conduct involving a lack of good faith. Accordingly each officer of the company is indemnified against any liability for costs and expenses incurred by the officer in defending proceedings, whether civil or criminal, in which judgement is given in favour of the officer or in which the officer is acquitted, or in connection with an application, in relation to such proceedings in which the court grants relief to the officer under the Corporations Act 2001.

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.

BigAir Group Limited

Directors' report (cont'd)

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, 17 Board meetings, 3 Audit Committee meetings and 5 Remuneration and Nomination Committee meetings were held.

Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	Held *	Attended	Held	Attended	Held	Attended
Jason Ashton	17	17	-	-	-	-
Anthony Tobin	17	17	3	3	5	5
Shane Allan	17	16	3	3	-	-
Anne Lenagan	17	15	3	3	5	5
Nigel Jeffries	17	13	-	-	5	5
Ivan Hurwitz	7*	6	-	-	-	-

* eligible to attend

Directors' shareholdings

The following table sets out each director's relevant interest in shares and options over unissued shares of the company as at the date of this report:

Director	Fully paid ordinary shares Number	Share Options Number
Jason Ashton	9,579,718	1,920,000
Nigel Jeffries	8,000,000	-
Patrick Choi	6,482,411	1,920,000
Ray Catelan	16,408,858	-
Danny Herceg	800,000	-

Directors' report (cont'd)

Remuneration report

Remuneration policy for directors and executives

During the year, the Board had a Remuneration and Nomination Committee that reviewed the remuneration packages of all directors, the secretary and executive officers on an annual basis and made recommendations to the Board. Subsequent to year end, the Board, excluding executive directors, has adopted the function of the Remuneration and Nomination Committee. Remuneration packages are determined with reference to market rates and are benchmarked against comparable industry salaries.

Current year remuneration was based on a number of short and long term components regarding the company's general performance and the creation of shareholder value.

Director and executive details

The following persons acted as directors of the company during or since the end of the financial year:

Danny Herceg (Chairman, Non-executive director), appointed 27 July 2007
Ray Catelan (Non-executive director), appointed 27 July 2007
Anthony Tobin (former Chairman, Non-executive director), resigned 27 July 2007
Shane Allan (Non-executive director), resigned 27 July 2007
Anne Lenagan (Non-executive director), resigned 27 July 2007
Nigel Jeffries (Non-executive director)
Jason Ashton (Chief Executive Officer)
Patrick Choi (Chief Financial Officer), appointed 27 July 2007
Ivan Hurwitz (Director of Sales and Marketing), resigned 3 November 2006

The highest remunerated Group executives of the company and the Group during or since the end of the financial year:

Jason Ashton (Chief Executive Officer)
Patrick Choi (Chief Financial Officer & Company Secretary)
David Keane (Chief Technology Officer) – resigned 8 September 2006
Ivan Hurwitz (Director of Sales and Marketing), resigned 3 November 2006
Matt McGuire (National Sales and Marketing Manager) – commenced 8 November 2006

Contracts for services of key management personnel

Under the company constitution, one-third of the non-executive directors stand for re-election at each annual general meeting.

The executives have in place standard contracts with the company which allow either party to give three months notice to terminate the contract of employment. There are no provisions for termination payments provided under these contracts.

The non-executive directors do not have employment contracts with the company, and there is no requirement to provide notice prior to resignation.

Elements of directors and executive remuneration

Remuneration packages contain the following key elements:

- (a) Short term employment benefits – Salary and fees;

BigAir Group Limited

Directors' report (cont'd)

- (b) Post employment benefits – Superannuation of 9% of gross salary; and
(c) Share based payment equity options – share options granted as disclosed in Note 9 to the financial statements.

The directors and the five identified company executives and Group executives received the following amounts as compensation for their services as directors and executives of the company and/or Group during the financial year:

2007	Short-term Employment Benefits Salary & Fees \$	Post Employment Benefits Superannuation \$	Share Based Payments Options (ii) \$	Total \$	% Consisting of options
Directors					
Anthony Tobin	-	70,000	9,901	79,901	12%
Shane Allan	-	50,000	9,901	59,901	17%
Anne Lenagan	-	45,000	9,901	54,901	18%
Nigel Jeffries	-	45,000	-	45,000	-
Executives (i)					
Jason Ashton	120,000	10,800	27,155	157,955	17%
Patrick Choi	120,000	10,800	27,155	157,955	17%
Ivan Hurwitz	124,000	4,860	(6,790)	122,070	-
David Keane	21,000	-	27,155	48,155	56%
Matt McGuire	157,658	14,189	-	171,847	-

- (i) A company's "executive" includes the company secretary and senior management of the company.
(ii) Equity-settled share-based payments issued to employees are measured at fair value at the date of grant. The total value of options granted is calculated based on the fair value of options at grant date multiplied by the number of options granted during the year. Directors and executives' options have been valued based on the binomial model. The benefit relates to the period of service from grant date to vesting date.

None of the other short term and post employment paid in the financial year was dependent on the satisfaction of a performance condition. However, the options issued to the executives and directors in a prior period will vest when the share price reaches 40 cents and stays above that price for at least 30 trading days. The shares subject to options will be exercised at a price of 25 cents.

Value of options issued to directors and executives

No options were exercised during or since the end of the financial year, and 1,920,000 options granted in the previous financial year were cancelled during the financial year.

There were no alterations of the terms or conditions of a grant of a cash bonus, performance related bonus or share-based payment compensation.

Proceedings on behalf of the company

No person applied for leave under section 237 of the Corporations Act 2001 to bring or intervene in proceedings on behalf of the company.

Directors' report (cont'd)

Non-audit services

Details of the amount paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 11 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 11 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

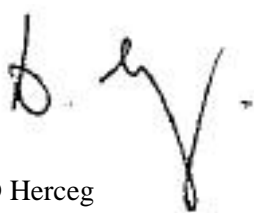
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration is included on page 17 of the annual report.

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



D Herceg
Chairman

Sydney
31 August 2007

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The Board of Directors
BigAir Group Limited
Level 1, 59 Buckingham Street
SURRY HILLS NSW 2010

31 August 2007

Dear Sirs

BigAir Group Limited

In accordance with s. 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of BigAir Group Limited.

As lead audit partner for the audit of the financial statements of BigAir Group Limited for the financial year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Adam Thompson
Partner
Chartered Accountants

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**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BIGAIR GROUP LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of BigAir Group Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 20 to 67.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 3, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements of the Group and separate financial statements of the Company and notes, comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Directors' report (cont'd)

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of BigAir Group Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the consolidated and company's financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 3.



DELOITTE TOUCHE TOHMATSU



Adam Thompson
Partner
Chartered Accountants
Sydney, 31 August 2007

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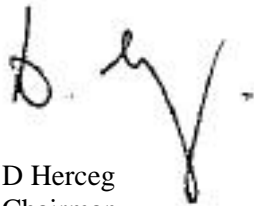
Directors' declaration

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements and notes thereto, are in accordance with the Corporations Act 2001, including compliance with accounting standards and gives a true and fair view of the financial position and performance of the company and the consolidated entity; and
- c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

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



D Herceg
Chairman

Sydney
31 August 2007

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BigAir Group Limited

Income statement for the financial year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	5	9,103,496	6,889,858	2,173,975	1,055,284
Cost of sales		(5,896,288)	(4,889,711)	(658,315)	(312,955)
Gross Profit		<u>3,207,208</u>	<u>2,000,147</u>	<u>1,515,660</u>	<u>742,329</u>
Other revenue	5	215,087	146,131	356,799	139,303
Employee benefits expense	7	(1,520,408)	(1,107,514)	(894,209)	(620,903)
Sales and marketing expenses		(1,190,554)	(927,377)	(628,992)	(29,101)
General administration expenses		(1,343,051)	(954,497)	(697,528)	(236,549)
Depreciation, amortisation and impairment expenses	7	(1,673,034)	(866,965)	(2,491,080)	(376,445)
Occupancy expenses		(136,997)	(77,758)	(108,846)	(29,877)
Finance costs	6	(7,403)	(108,184)	(7,403)	(77,917)
Loss before income tax	7	<u>(2,449,152)</u>	<u>(1,896,017)</u>	<u>(2,955,599)</u>	<u>(489,160)</u>
Income tax benefit	8	506,005	562,873	314,176	142,064
Loss for the year attributable to equity holders of the parent		<u>(1,943,147)</u>	<u>(1,333,144)</u>	<u>(2,641,423)</u>	<u>(347,096)</u>
Earnings per share					
- Basic (cents per share)	26	(2.3)	(2.2)		
- Diluted (cents per share)	26	(2.3)	(2.2)		

Notes to the financial statements are included on pages 26 to 68

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BigAir Group Limited

Balance sheet as at 30 June 2007

	Note	Consolidated		Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	32(a)	2,771,147	5,003,303	2,596,548	4,572,914
Trade and other receivables	12	547,436	624,438	316,514	287,605
Inventories	13	56,755	38,042	-	-
Other	14	192,294	227,604	37,326	70,605
Total current assets		3,567,632	5,893,387	2,950,388	4,931,124
Non-current assets					
Other financial assets	15	-	-	608,213	2,199,719
Trade and other receivables	16	33,127	43,557	1,624,633	1,365,250
Property, plant and equipment	17	1,337,970	924,075	1,304,339	874,355
Deferred tax assets	8	1,649,565	1,143,560	986,245	672,069
Goodwill	18	2,256,645	2,586,645	-	-
Other intangible assets	19	582,529	1,009,640	233,915	477,053
Total non-current assets		5,859,836	5,707,477	4,757,345	5,588,446
Total assets		9,427,468	11,600,864	7,707,733	10,519,570
Current liabilities					
Trade and other payables	20	2,272,259	2,542,223	808,170	1,024,236
Income received in advance	21	525,678	534,130	-	-
Borrowings	22	-	395,339	-	395,339
Provisions	23	82,318	42,360	64,578	27,135
Total current liabilities		2,880,255	3,514,052	872,748	1,446,710
Total liabilities		2,880,255	3,514,052	872,748	1,446,710
Net assets		6,547,213	8,086,812	6,834,985	9,072,860
Equity					
Issued capital	24	10,543,251	10,221,568	10,543,251	10,221,568
Reserves	25	161,237	79,372	161,237	79,372
Accumulated losses		(4,157,275)	(2,214,128)	(3,869,503)	(1,228,080)
Total equity		6,547,213	8,086,812	6,834,985	9,072,860

Notes to the financial statements are included on pages 26 to 68

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BigAir Group Limited

Statement of changes in equity for the financial year ended 30 June 2007

	Consolidated				
	Fully paid ordinary shares \$	Option premium on convertible notes \$	Employee equity-settled benefits \$	Accumulated losses \$	Total \$
Balance as at 30 June 2005	1,915,310	-	-	(880,984)	1,034,326
Loss for the period				(1,333,144)	(1,333,144)
Total recognised income and expense	-	-	-	(1,333,144)	(1,333,144)
Attributable to: Equity holders of the parent		-	-	(1,333,144)	(1,333,144)
Issue of shares to advisor on acquisition	280,000	-	-	-	280,000
Issue of shares on acquisition of subsidiary	1,450,000	-	-	-	1,450,000
Cost of cancelling previously issued options	(120,180)	-	-	-	(120,180)
Issue of shares on public offering	7,563,500	-	-	-	7,563,500
Share based payments	8,661	-	56,859	-	65,520
Share issue costs	(1,250,748)	-	-	-	(1,250,748)
Issue of convertible notes	-	32,000	-	-	32,000
Related deferred tax liability	375,025	(9,487)	-	-	365,538
Balance at 30 June 2006	10,221,568	22,513	56,859	(2,214,128)	8,086,812
Loss for the period	-	-	-	(1,943,147)	(1,943,147)
Total recognised income and expense	-	-	-	(1,943,147)	(1,943,147)
Attributable to: Equity holders of the parent	-	-	-	(1,943,147)	(1,943,147)
Issue of shares to advisor on public offering	309,945	-	-	-	309,945
Share based payments			104,378	-	104,378
Share issue costs	(10,775)	-	-	-	(10,775)
Settlement of convertible notes	22,513	(22,513)	-	-	-
Balance at 30 June 2007	10,543,251	-	161,237	(4,157,275)	6,547,213

Notes to the financial statements are included on pages 26 to 68

BigAir Group Limited

Statement of changes in equity for the financial year ended 30 June 2007

	Company				Total \$
	Fully paid ordinary shares \$	Option premium on convertible notes \$	Employee equity-settled benefits \$	Accumulated losses \$	
Balance as at 30 June 2005	1,915,310	-	-	(880,984)	1,034,326
Loss for the period				(347,096)	(347,096)
Total recognised income and expense	-	-	-	(347,096)	(347,096)
Attributable to equity holders of the parent	-	-	-	(347,096)	(347,096)
Issue of shares to advisor on acquisition	280,000	-	-	-	280,000
Issue of shares on acquisition of subsidiary	1,450,000	-	-	-	1,450,000
Cost of cancelling previously issued options	(120,180)	-	-	-	(120,180)
Issue of shares on public offering	7,563,500	-	-	-	7,563,500
Share based payments	8,661	-	56,859	-	65,520
Share issue costs	(1,250,748)	-	-	-	(1,250,748)
Issue of convertible notes	-	32,000	-	-	32,000
Related deferred tax liability	375,025	(9,487)	-	-	365,538
Balance at 30 June 2006	10,221,568	22,513	56,859	(1,228,080)	9,072,860
Loss for the period	-	-	-	(2,641,423)	(2,641,423)
Total recognised income and expense	-	-	-	(2,641,423)	(2,641,423)
Attributable to: Equity holders of the parent	-	-	-	(2,641,423)	(2,641,423)
Issue of shares to advisor on public offering	309,945	-	-	-	309,945
Share based payments	-	-	104,378	-	104,378
Share issue costs	(10,775)	-	-	-	(10,775)
Settlement of convertible notes option	22,513	(22,513)	-	-	-
Balance at 30 June 2007	10,543,251	-	161,237	(3,869,503)	6,834,985

Notes to the financial statements are included on pages 26 to 68

BigAir Group Limited

Statement of cash flows for the financial year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from operating activities					
Receipts from customers		9,583,913	8,010,909	2,360,421	1,119,406
Payments to suppliers and employees		(10,287,841)	(8,313,634)	(2,752,685)	(1,021,622)
Interest received		215,087	146,131	185,827	-
Interest and other costs of finance paid		(7,403)	(32,497)	(7,403)	(2,230)
Income tax rebate		-	-	-	139,303
Net cash used in operating activities	32(f)	(496,224)	(189,091)	(213,840)	234,857
Cash flows from investing activities					
Payments for plant and equipment		(1,030,453)	(686,846)	(1,030,453)	(654,960)
Payments for business	32(b)	-	(428,332)	-	(469,719)
Payment for intangible assets		(299,365)	(500,880)	(56,147)	(500,880)
Loan to subsidiary		-	-	(269,812)	(839,977)
Net cash used in investing activities		(1,329,818)	(1,616,058)	(1,356,412)	(2,465,536)
Cash flows from financing activities					
Proceeds from issue of equity securities		-	7,563,500	-	7,563,500
Payment for share issue costs		(10,775)	(1,052,436)	(10,775)	(1,052,436)
Payment for cancellation of options		-	(120,180)	-	(120,180)
Proceeds from issue of debt securities		-	225,000	-	-
Proceeds from borrowings		-	150,000	-	150,000
Repayment of borrowings		(395,339)	(252,542)	(395,339)	(32,401)
Net cash (used in) / provided by financing activities		(406,114)	6,513,342	(406,114)	6,508,483
Net increase / (decrease) in cash and cash equivalents		(2,232,156)	4,708,193	(1,976,366)	4,277,804
Cash and cash equivalents at the beginning of the financial year		5,003,303	295,110	4,572,914	295,110
Cash and cash equivalents at the end of the financial year	32(a)	2,771,147	5,003,303	2,596,548	4,572,914

Notes to the financial statements are included on pages 26 to 68

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Notes to the financial statements

1. Additional company information

BigAir Group Limited ('the company') is a listed public company, incorporated and operating in Australia.

Registered office and principal place of business

Level 1
59 Buckingham Street
Surry Hills NSW 2010
Tel: (02) 9993 1300

2. Adoption of new and revised Accounting Standards

In the current year, there are no new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective to the current annual reporting period.

The adoption of these new and revised standards and interpretations has not resulted in any change to the amounts reported or to the Group's accounting policies in the current or prior years.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

• AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue	Effective for annual reporting periods beginning on or after 1 January 2007
• AASB 101 'Presentation of Financial Statements' – revised standard	Effective for annual reporting periods beginning on or after 1 January 2007
• AASB 2007-7 'Amendments to Australian Accounting Standard'	Effective for annual reporting periods beginning on or after 1 July 2007
• AASB 8 'Operating Segments'	Effective for annual reporting periods beginning on or after 1 July 2009

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group.

The application of AASB 101 (revised), AASB 7 and AASB 2007-7 will not affect any of the amounts recognised in the financial statements, but will change the disclosure presently made in relation to the company's and the Group's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which in all cases will be the company's annual reporting period beginning on 1 July 2007.

Notes to the financial statements

3. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes thereto comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 31 August 2007.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

(b) Borrowings

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the financial statements

3. Significant accounting policies (cont'd)

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Comparative amounts

The comparative amounts that were disclosed as the Other Expenses in the income statement of the prior financial period have been reclassified to the General Administration Expense, as this disclosure better reflects the nature of the expenses in the income statement. The amounts reclassified were \$365,590 for the Group and \$125,698 for the company.

(f) Employee benefits

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

Liabilities recognised in respect of 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.

Liabilities recognised in respect of 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 in respect of services provided by employees up to reporting date.

Notes to the financial statements

3. Significant accounting policies (cont'd)

(f) Employee benefits (cont'd)

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(g) Financial assets

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the separate financial statements of the parent.

Other financial assets are classified into the following specific categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

(h) Financial instruments issued by the company

Compound instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or upon the instruments reaching maturity. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects and is not subsequently remeasured.

Financial liabilities

Financial liabilities are classified as financial liabilities 'at fair value through profit or loss'. Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Transaction costs on the issue of equity instruments

Transaction costs 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 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. Equity settled share-based payments issued to advisors associated with the issue of equity instruments are included directly in equity over the vesting period of the equity security issued.

Transaction cost on issue of convertible notes

Transaction costs associated with the issue of convertible notes are set off against the convertible note liability and amortised over the term of the note.

Notes to the financial statements

3. Significant accounting policies (cont'd)

(i) 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 cash flow statement 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.

(j) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost over the acquired interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's Cash Generating Units (CGU's) expected to benefit from the synergies of the business combination. CGU's to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. Any impairment is recognised immediately as an expense in the income statement and is not reversed in a subsequent period. Refer also to note (k).

If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(k) Impairment of other tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Notes to the financial statements

3. Significant accounting policies (cont'd)

(k) Impairment of other tangible and intangible assets (cont'd)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note (p)).

(l) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Notes to the financial statements

3. Significant accounting policies (cont'd)

(l) Income tax (cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

Tax consolidation

The company and its wholly-owned Australian resident entity are not part of a tax consolidated group under Australian taxation law.

(m) Intangible assets

Customer bases

Customer bases acquired are recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Such costs are amortised over the expected period of economic benefit derived from the customer acquired.

Subscriber acquisition costs

Direct subscriber acquisition costs in relation to customer contracts are recognised as an asset where it is probable that the future economic benefits arising as a result of the costs incurred will flow to the Group. Subscriber acquisition costs recognised as an asset are amortised from the inception of the contract over the lesser of the period of the contract and the period during which the future economic benefits are expected to be obtained.

Subscriber acquisition costs not recognised as an asset are expensed as incurred.

Notes to the financial statements

3. Significant accounting policies (cont'd)

(n) Inventories

Inventories are valued at the lower of cost and net realisable value on an average cost basis. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale.

(o) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time which reflects the pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(p) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Costs directly attributable to the development of the broadband infrastructure are recorded as assets. Costs include antennae, base stations, building-wide cabling and other items related to preparing the infrastructure for use.

Maintenance, repairs and minor replacements of the broadband infrastructure are charged to the income statement when incurred. Major replacements, improvements and upgrades to the infrastructure are capitalised and depreciated over the remaining useful life of the asset.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation:

- | | |
|---------------------------------|-----------|
| • Computer and office equipment | 3 years |
| • Broadband infrastructure | 3-6 years |
| • Office furniture and fittings | 6 years |

Notes to the financial statements

3. Significant accounting policies (cont'd)

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

i. Supply of modems & connection of Internet services

Revenue from the sale of modems is recognised when the buyer has assumed the significant risks and rewards of ownership. Revenue from the connection of internet services is recognised at the contractual rate as labour hours are delivered and direct expenses are incurred.

ii. Standard Internet usage

Standard broadband Internet usage charges billed to subscribers monthly in advance. These charges are recorded as income received in advance on the balance sheet until the end of the month to which they refer, at which time they are recognised as revenue.

iii. Excess internet usage

Excess broadband Internet usage and VOIP (voice over internet protocol) charges billed to subscribers are recognised as revenue over the period during which the services are provided.

iv. Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(s) Share based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Notes to the financial statements

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of goodwill (see below)
- Negative net assets of investment (see below)
- Subscriber acquisition costs (see below)
- Customer base intangibles (see below)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of goodwill

Determining whether goodwill is impaired requires an estimate of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit including the cash from the termination of the business and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at the balance sheet date was \$2,256,645 after an impairment loss of \$330,000 was recognised during the current financial year. Details of the impairment loss calculation are provided in note 18.

Negative net assets of investment

The company has a policy of reviewing the net assets of its subsidiary. In the current period, the negative net assets of the subsidiary have led to an impairment at company level of \$1,591,506.

Upon consolidation, this investment impairment of \$1,591,506 is eliminated, and an impairment loss against goodwill for \$330,000 for the Group arises.

Notes to the financial statements

Subscriber acquisition costs

Direct subscriber acquisition costs in relation to customer contracts are recognised as an asset by the Group, as the future economic benefits arising as a result of incurring these costs will flow to the Group. Direct subscriber acquisition costs are those subscriber acquisition costs that are directly attributable to establishing specific supplier contracts and would not have been incurred had those contracts not been entered into.

Subscriber acquisition costs are amortised from the date of initial recognition over the period during which the future economic benefits are expected to be obtained. This period is the term of the customer contract, as customers are not expected to terminate contracts prior to the end of their contracted term.

Customer base intangibles

The Group has four distinguishable intangible assets in the form of customer bases purchased from third parties. All of the customer bases will be fully amortised on a reducing balance method in a manner that allocates the cost of acquisition over the expected benefit period.

The key assumptions used to assess amortisation rates are as follows:

- each customer base has been assessed as an individual intangible asset;
- the customers will churn over the next six years;
- each customer has been allocated a life cycle;
- the actual customer base is reviewed each reporting period against the original amortisation model and churned customers are removed from the amortisation model; and
- the expected life of a customer is reviewed annually and if required the amortisation rate is amended.

Useful lives of Property, Plant & Equipment

As described in note 3(p), the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year the directors determined that the useful life of certain items of equipment should be shortened, due to developments in technology, and the useful life of other items of equipment should be lengthened, as they are still in a reasonable working condition.

Assuming the assets are held until the end of their estimated useful lives, there is no significant financial effect anticipated as a result of this reassessment.

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Notes to the financial statements

5. Revenue

An analysis of the revenue for the year from continuing operations is as follows:

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Sales revenue:				
Mobile wireless services	6,929,521	5,834,574	-	-
Fixed wireless services	2,173,975	1,055,284	2,173,975	1,055,284
	<u>9,103,496</u>	<u>6,889,858</u>	<u>2,173,975</u>	<u>1,055,284</u>
Other revenue:				
Interest from bank deposits	215,087	146,131	215,087	139,303
Interest from related party loan	-	-	141,712	-
	<u>9,318,583</u>	<u>7,035,989</u>	<u>2,530,774</u>	<u>1,194,587</u>

For more information, see note 30.

6. Finance Costs

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Finance costs:				
Interest on bank accounts	7,403	-	7,403	-
Interest on loans from shareholders	-	77,934	-	47,667
Interest on loan from director	-	30,250	-	30,250
Total interest expense	<u>7,403</u>	<u>108,184</u>	<u>7,403</u>	<u>77,917</u>

Notes to the financial statements

7. Loss for the year

Loss for the year includes the following expenses:

	Note	Consolidated		Company	
		2007 \$	2006 \$	2007 \$	2006 \$
Cost of sales	(i)	(5,896,288)	4,889,711	(658,315)	312,955
Depreciation of non-current assets	17	616,558	383,725	600,469	371,498
Amortisation of non-current assets	19	726,476	483,240	299,285	4,947
Impairment of goodwill	18	330,000	-	-	-
Impairment of investment	15	-	-	1,591,506	-
		<u>1,673,034</u>	<u>866,965</u>	<u>2,491,080</u>	<u>376,445</u>
Impairment of trade receivables		<u>335,086</u>	<u>94,172</u>	<u>12,473</u>	<u>34,956</u>
Operating lease rental expenses:					
Minimum lease payments		<u>122,060</u>	<u>77,758</u>	<u>122,060</u>	<u>29,877</u>
Employee benefit expense:					
Post employment benefits:					
Defined contribution plan		133,076	154,731	101,391	116,349
Share-based payments					
Equity settled share-based payments		104,378	56,859	104,378	56,859
Other employee benefits	(ii)	<u>1,282,954</u>	<u>895,924</u>	<u>688,440</u>	<u>447,695</u>
		<u>1,520,408</u>	<u>1,107,514</u>	<u>894,209</u>	<u>620,903</u>

(i) The cost of sales includes costs attributed to providing the services the Group sells. These costs include both fixed and variable costs.

(ii) The employee benefits expense above does not include the salaries of sales and marketing staff of \$1,036,297 (2006: \$490,641) that the Group reports as part of the sales and marketing expense.

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Notes to the financial statements

8. Income tax

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$

Income tax recognised in profit or loss

Tax benefit comprises:

Current tax income	(506,005)	(562,873)	(314,176)	(142,064)
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The prima facie income tax income on pre-tax accounting loss from operations reconciles to the income tax income in the financial statements as follows:

Loss from operations	(2,449,152)	(1,896,017)	(2,955,599)	(498,160)
Income tax income calculated at 30%	(734,746)	(568,805)	(886,686)	(149,448)
Non deductible amortisation of customer base	149,790	144,972	63,739	1,484
Impairment losses on goodwill that are not deductible	99,000	-	-	-
Impairment losses on investment that are not deductible	-	-	477,452	-
Other	(4,690)	(30,000)	-	(8,032)
Deferred tax assets not previously recognised as an asset	(46,672)	(126,097)	-	(3,125)
Income tax benefit	(506,005)	(562,873)	(314,176)	(142,064)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Income tax recognised directly as equity

The following current and deferred amounts were charged directly to equity during the period:

Share issue expenses	-	375,025	-	375,025
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Deferred tax balances

Deferred tax assets arise from the following:

Tax losses	1,395,044	667,419	723,220	319,546
Temporary differences	254,521	476,141	263,025	352,523
	1,649,565	1,143,560	986,245	672,069

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Notes to the financial statements

8. Income tax (cont'd)

Temporary differences arise from the following:

	Consolidated			
	Opening balance \$	Adjustments \$	Charged to income \$	Closing balance \$
2007				
Tax losses – revenue	667,419	160,239	567,386	1,395,044
Income in advance	160,239	(160,239)	-	-
Provisions	46,227	-	54,701	100,928
Accruals	36,399	-	(19,509)	16,890
IPO raising costs	300,020	-	(75,045)	224,975
Capitalised subscriber acquisition costs	-	-	(55,986)	(55,986)
Customer base	(66,744)	-	34,458	(32,286)
	<u>1,143,560</u>	<u>-</u>	<u>506,005</u>	<u>1,649,565</u>

Presented in the balance sheet as follows:

Deferred tax asset	<u>1,649,565</u>
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	Consolidated				
	Group established \$	Fair value acquired in business combinatio n \$	Charged to income \$	Charged to equity \$	Closing balance \$
2006					
Tax losses – revenue	146,059	218,682	227,673	75,005	667,419
Provisions	6,401	-	39,826	-	46,227
Accruals	2,520	-	33,879	-	36,399
Income in advance	-	-	160,239	-	160,239
IPO raising costs	-	-	-	300,020	300,020
Customer base	-	(168,000)	101,256	-	(66,744)
	<u>154,980</u>	<u>50,682</u>	<u>562,873</u>	<u>375,025</u>	<u>1,143,560</u>

Presented in the balance sheet as follows:

Deferred tax asset	<u>1,143,560</u>
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BigAir Group Limited

Notes to the financial statements

8. Income tax (cont'd)

	Company		
	Opening balance \$	Charged to income \$	Closing balance \$
2007			
Tax losses - revenue	319,546	403,674	723,220
Provisions	23,141	3,733	26,874
Accruals	29,362	28,956	58,318
IPO raising costs	300,020	(75,045)	224,975
Capitalised subscriber acquisition costs	-	(47,142)	(47,142)
	<u>672,069</u>	<u>314,176</u>	<u>986,245</u>

Presented in the balance sheet as follows:

Deferred tax asset	<u>986,245</u>
--------------------	----------------

	Company			
	Opening balance \$	Charged to income \$	Charged to equity \$	Closing balance \$
2006				
Gross deferred tax assets:				
Tax losses - revenue	146,059	98,482	75,005	319,546
Provisions	6,401	16,740	-	23,141
Accruals	2,520	26,842	-	29,362
IPO raising costs	-	-	300,020	300,020
	<u>154,980</u>	<u>142,064</u>	<u>375,025</u>	<u>672,069</u>

Presented in the balance sheet as follows:

Deferred tax asset	<u>672,069</u>
--------------------	----------------

The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The entity has recorded a loss in the current period in the tax jurisdiction to which the deferred tax asset relates. Financial analysis by the Group supports the recognition of this asset.

Unrecognised deferred tax balances

There are no unrecognised deferred tax balances as at 30 June 2007.

Tax consolidation

The company and its wholly-owned Australian resident entity are not part of a tax consolidated group under Australian taxation law.

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Notes to the financial statements

9. Key management personnel compensation

Details of key management personnel

The key management personnel of BigAir Group Limited during the year were:

Anthony Tobin (Chairman, non-executive independent director) – resigned 27 July 2007
 Shane Allan (non-executive independent director) – resigned 27 July 2007
 Anne Lenagan (non-executive independent director) – resigned 27 July 2007
 Nigel Jeffries (non-executive director)
 Jason Ashton (director, Chief Executive Officer)
 Patrick Choi (Chief Financial Officer, Company Secretary)
 Matt McGuire (National Sales and Marketing Manager) – appointed 8 November 2006
 Ivan Hurwitz (director, Director of Sales and Marketing) – resigned 3 November 2006
 David Keane (Chief Technology Officer) – resigned 8 September 2006

Key management personnel compensation policy

During the year, the board of directors has operated a Remuneration and Nomination Committee to review the remuneration packages of all directors, the secretary and executive officers on an annual basis and to make recommendations to the board of directors. Subsequent to year end, the Board, excluding executive directors, has adopted the function of the Remuneration and Nomination Committee. Remuneration packages are determined with market rates and are benchmarked against comparable industry salaries.

Current year remuneration was based on the a number of short term and long term components of the company’s general performance and the creation of shareholder value.

Key management personnel compensation

The compensation of the key management personnel of the Group is set out below.

2007 Remuneration	Short term employment benefits Salary & Fees \$	Post employment benefits – Superannuation \$	Share Based Payment - Equity Options \$	Total \$
Anthony Tobin	-	70,000	9,901	79,901
Shane Allan	-	50,000	9,901	59,901
Anne Lenagan	-	45,000	9,901	54,901
Nigel Jeffries	-	45,000	-	45,000
Jason Ashton	120,000	10,800	27,155	157,955
Patrick Choi	120,000	10,800	27,155	157,955
Ivan Hurwitz	124,000	4,860	(6,790)	122,070
David Keane	21,000	-	27,155	48,155
Matt McGuire	157,658	14,189	-	171,847
Total	542,658	250,649	104,378	897,685

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Notes to the financial statements

9. Key management personnel compensation (cont'd)

2006 Remuneration	Short term employment benefits Salary & Fees \$	Post employment benefits – Superannuation \$	Share Based Payment - Equity Options \$	Total \$
Anthony Tobin	-	49,110	9,901	59,011
Shane Allan	31,573	-	9,901	41,474
Anne Lenagan	-	31,573	9,901	41,474
Nigel Jeffries	-	-	-	-
Jason Ashton	120,000	10,800	6,789	137,589
Patrick Choi	120,000	10,800	6,789	137,589
Ivan Hurwitz	120,000	10,800	6,789	137,589
David Keane	120,000	-	6,789	126,789
Total	511,573	113,083	56,859	681,515

The aggregate remuneration of the key management personnel of the Group and the company is set out below:

	Consolidated	
	2007	2006
	\$	\$
Short term employment benefits	385,000	511,573
Post-employment benefits	236,460	113,083
Share-based payment	104,378	56,859
	<u>725,838</u>	<u>681,515</u>

Contracts for services of key management personnel

Under the company constitution, one-third of the non-executive directors stand for re-election at each annual general meeting.

The executives have in place standard contracts with the company which allow either party to give three months notice to terminate the contract of employment. No termination payments have been provided for under these contracts.

10. Share option plans

The company has two ownership-based remuneration schemes for directors and employees and has also issued options to advisors. The following sets out the rules for the employees and director and executives schemes, and summarises options issued to advisors.

a) Employees' Option Scheme

The Employees' Option Scheme entitles the directors to offer employees of the company (or any other member of the Group) options to subscribe for shares in the company at an exercise price being not less than the higher of the amount prescribed in the Listing Rules or the volume weighted average price of the shares in the company trading on the ASX over the five trading days immediately prior to the date of offer.

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Notes to the financial statements

10. Share option plans (cont'd)

Options are offered to employees at the discretion of the board of directors from time to time following recommendations from the remuneration and nomination committee made on the basis of employee performance.

The number of shares over which the options relate must not exceed 5% of the then total number of issued shares of the company. The offer of options may be accepted by the employee or an associate of the employee being a close relative or a company controlled by the employee. Under the Employees' Option Scheme, there are various limits on the exercise of the options if the employee ceases to be an employee of the company or a member of the Group, dies, becomes totally and permanently disabled, retires, ceases to be an eligible person, fails to comply in a material respect with the terms and conditions of the Employees' Option Scheme or becomes an insolvent under administration. Subject to these qualifications, options may be exercised at any time from the date of their vesting to the date of their expiry.

The options carry no rights to dividends and no voting rights.

The Employees' Option Scheme may be amended by the company in general meeting.

The following reconciles the outstanding share options granted under the employee option plan at the beginning and end of the financial year.

	2007 Number	2006 Number
Balance at beginning of the financial year	-	-
Granted during the financial year	-	-
Exercised during the financial year	-	-
Cancelled during the financial year	-	-
Balance at end of the financial year	-	-

b) Director and Executives Option Scheme & options issued to advisors

The following share-based payment arrangements were in existence during the period:

Option Series	Number	Grant Date	Expiry Date	Exercise Price	Fair Value at Grant Date
Series 1 ⁽ⁱ⁾	450,000	15 April 2005	15 July 2008	40 cents	\$18,564
Series 2	2,160,000	15 July 2005	15 July 2008	40 cents	\$89,106
Series 3	7,680,000	3 April 2006	3 April 2011	40 cents	\$543,092
Series 4 ⁽ⁱⁱ⁾	720,000	3 April 2006	3 April 2009	40 cents	\$29,702

(i) Issued to advisor to Initial Public Offering

(ii) Issued to broker to Initial Public Offering

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Notes to the financial statements

10. Share option plans (cont'd)

c) Director and Executives Option Scheme

The board may, at its discretion and in accordance with the company's constitution, the Corporations Act 2001 and the ASX Listing Rules and subject to shareholder approval, issue options to directors and executives to subscribe for shares on terms and conditions as determined by the board from time to time, based upon performance.

Directors and executives have been issued options to subscribe for ordinary shares in the capital of the company. Those options have certain conditions including staged vesting rights and continued involvement of directors and executives with the company for specified periods of time.

The options carry no rights to dividends and no voting rights.

Director and executives options	2007 Number	2006 Number
Balance at beginning of the financial year	9,840,000	-
Granted during the financial year (Series 2 and 3)	-	9,840,000
Cancelled during the financial year	(1,920,000)	-
Balance at end of the financial year	7,920,000	9,840,000

All current options granted to key management personnel have market conditions criteria which must be met before vesting. All options will vest if the share price of BigAir is at or above 40 cents for 30 consecutive trading days.

Options Valuation Model – Key Assumptions

- (i) options are granted for no consideration;
- (ii) expected price volatility of the company is estimated by using other comparable companies listed on ASX which ranges from 30% to 70%;
- (iii) expected dividend yield: 0%;
- (iv) risk-free interest rate is based on relevant indicative yield applicable to Commonwealth Treasury fixed coupon bond of the similar maturing dates; and
- (v) other details of the inputs are show in the table below.

Inputs into the model	Directors and Executives
Grant date share price	\$0.25
Exercise price	\$0.40
Volatility	40%
Option life from grant date	3 and 5 years
Dividend yield	0
Risk-free interest rate	5.6%

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Notes to the financial statements

10. Share option plans (cont'd)

d) Options issued to advisors

The company has issued options as consideration for services provided in connection with the Initial Public Offering of the company. 720,000 options were issued for a fair value of \$29,702 in April 2006 (Series 4).

The options carry no rights to dividends and no voting rights.

Options issued to advisors	2007 Number	2006 Number
Balance at beginning of the financial year (Series 1 and 4)	1,170,000	450,000
Granted during the financial year (Series 4)	-	720,000
Balance at end of the financial year	1,170,000	1,170,000

All current options granted to advisors have performance criteria which must be met before vesting. All options will vest if the share price of BigAir is at or above 40 cents for 30 consecutive trading days.

The key assumptions of the options model for options issued to advisors are consistent with the key assumptions for the Directors and Executives Share Option Scheme.

11. Remuneration of auditor

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Auditor of the parent entity:				
Audit of the financial report	75,000	112,000	52,340	112,000
Review of half-year financial report	37,000	59,000	25,910	59,000
Other non-audit services – investigating accountant's report	-	122,980	-	122,980
	112,000	293,980	78,250	293,980

The auditor of BigAir Group Limited is Deloitte Touche Tohmatsu.

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Notes to the financial statements

12. Trade & other receivables

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Trade receivables (i)	793,377	638,075	310,227	239,515
Impairment provision	(254,107)	(111,727)	(25,000)	(50,000)
	539,270	526,348	285,227	189,515
Goods and Service Tax (GST) recoverable	-	86,538	23,766	86,538
Sundry debtors	8,166	11,552	7,521	11,552
	547,436	624,438	316,514	287,605

- (i) The average credit period for corporate clients on rendering of services is 30 days. No interest is charged on outstanding amounts. A provision has been made for estimated irrecoverable amounts from the rendering of services, determined through specific identification. During the current financial year, the movement in the provision and write-offs of \$335,806 (company: \$12,473) was recognised as a general administration expense in the income statement.

13. Inventories

Finished goods	56,755	38,042	-	-
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14. Other assets

Prepayments	192,294	227,604	37,326	70,605
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15. Other financial assets

Investments carried at cost

Non-current

Shares in subsidiary	-	-	2,199,719	2,199,719
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Accumulated impairment losses

Balance at beginning of financial year	-	-	-	-
Impairment losses for the year (i)	-	-	(1,591,506)	-
Balance at end of financial year	-	-	(1,591,506)	-

Net book value

Balance at beginning of				
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BigAir Group Limited

Notes to the financial statements

financial year	-	-	2,199,719	2,199,719
Balance at end of financial year	-	-	608,213	2,199,719

- (i) In the current period, the negative net assets of the subsidiary have led to an impairment at company level of \$1,591,506. Upon consolidation, this investment impairment of \$1,591,506 is eliminated, and an impairment loss against goodwill for \$330,000 for the Group arises (see note 18).

16. Non-current trade and other receivables

Deposit	33,127	43,557	33,127	43,557
Interest bearing loan to subsidiary	-	-	1,591,506	1,321,693
	33,127	43,557	1,624,633	1,365,250

Receivables from entities within the wholly-owned Group arise in the course of normal operations. The intercompany loan receivable is repayable on demand and interest is charged on the outstanding balance at market rates.

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BigAir Group Limited

Notes to the financial statements

17. Property, plant and equipment

	Consolidated		
	Broadband infrastructure at cost	Office furniture and fittings and equipment at cost	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2005	715,978	77,444	793,422
Additions through business combination	-	33,561	33,561
Additions	694,655	44,192	738,847
Balance at 30 June 2006	1,410,633	155,197	1,565,830
Additions	884,674	145,779	1,030,453
Cost at 30 June 2007	<u>2,295,307</u>	<u>300,976</u>	<u>2,596,283</u>
Accumulated depreciation			
Balance at 1 July 2005	(209,734)	(48,296)	(258,030)
Depreciation expense	(348,311)	(35,414)	(383,725)
Balance at 30 June 2006	(558,045)	(83,710)	(641,755)
Depreciation expense	(569,874)	(46,684)	(616,558)
Balance at 30 June 2007	<u>(1,127,919)</u>	<u>(130,394)</u>	<u>(1,258,313)</u>
Net book value			
As at 30 June 2006	852,588	71,487	924,075
As at 30 June 2007	<u>1,167,388</u>	<u>170,582</u>	<u>1,337,970</u>

	Company		
	Broadband infrastructure at cost	Office furniture and fittings and equipment at cost	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2005	715,978	77,444	793,422
Additions	694,655	15,806	710,461
Balance at 30 June 2006	1,410,633	93,250	1,503,883
Additions	884,674	145,779	1,030,453
Balance at 30 June 2007	<u>2,295,307</u>	<u>239,029</u>	<u>2,534,336</u>
Accumulated depreciation			
Balance at 1 July 2005	(209,734)	(48,296)	(258,030)
Depreciation expense	(348,311)	(23,187)	(371,498)
Balance at 30 June 2006	(558,045)	(71,483)	(629,528)
Depreciation expense	(569,874)	(30,595)	(600,469)
Balance at 30 June 2007	<u>(1,127,919)</u>	<u>(102,078)</u>	<u>(1,229,997)</u>
Net book value			
As at 30 June 2006	852,588	21,767	874,355
As at 30 June 2007	<u>1,167,388</u>	<u>136,951</u>	<u>1,304,339</u>

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Notes to the financial statements

17. Property, plant and equipment (cont'd)

During the period, the Group carried out a review of the recoverable amount of its plant and equipment. There was no evidence of impairment loss arising from this review.

Aggregate depreciation/amortisation recognised as an expense during the year:

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Office furniture and fittings and equipment at cost	46,684	35,414	30,595	23,187
Broadband infrastructure	569,874	348,311	569,874	348,311
	<u>616,558</u>	<u>383,725</u>	<u>600,469</u>	<u>371,498</u>

18. Goodwill

Gross carrying amount

Balance at beginning of financial year	2,586,645	-	-	-
Amount recognised from business combinations occurring during the year (note 29)	-	2,586,645	-	-
Balance at end of financial year	<u>2,586,645</u>	<u>2,586,645</u>	<u>-</u>	<u>-</u>

Accumulated impairment losses

Balance at beginning of financial year	-	-	-	-
Impairment losses for the year (i)	(330,000)	-	-	-
Balance at end of financial year	<u>(330,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Net book value

Balance at beginning of financial year	2,586,645	2,586,645	-	-
Balance at end of financial year	<u>2,256,645</u>	<u>2,586,645</u>	<u>-</u>	<u>-</u>

(i) During the financial year, the Group assessed the recoverable amount of goodwill, and determined that the Goodwill associated with the Group's mobile wireless operation was impaired by \$330,000 (2006: nil). The recoverable amount of the mobile wireless operation was assessed by reference to the cash-generating unit's value in use. A discount factor of 16% p.a. (2006: 20%) was applied in the value-in-use model.

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Notes to the financial statements

18. Goodwill (cont'd)

The key assumptions used to determine the impairment loss in respect of goodwill associated with the Veritel cash-generating unit were:

- a fall of 1% (2006: growing at 1%) in the gross margin; or
- no annual revenue growth (2006: growing at 35%) is achieved; or
- a decrease of 4% (2006: an increase of 13%) in the discount rate.

The main factor contributing to the impairment of the cash-generating unit was the increase in competition and a growing focus on the fixed wireless business. No write-down of the carrying amounts of the other assets in the cash-generating unit was necessary.

Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to one cash-generating unit being the business of Veritel Australia Pty Limited.

The recoverable amount of the cash generating unit (Veritel business) relating to the goodwill is determined based on a value-in-use calculation which uses cash flow projections and a terminal value based on financial budgets for the next five years that are approved by the Board and that have been discounted by a discount rate of 16%. (2006: 20%).

Cash flow projections during the 5 year forecast period have been revised and are based on the current gross margins being achieved with no growth (2006: 35% to 48%) in customers on an annual basis. This growth rate is in line with the current growth rate.

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Notes to the financial statements

19. Other intangible assets

	Consolidated		
	Subscriber acquisition costs	Customer bases	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2005	-	-	-
Additions		932,880	932,880
Additions through business combination	-	560,000	560,000
Balance at 30 June 2006	-	1,492,880	1,492,880
Additions	-	434	434
Additions from internal development	298,931	-	298,931
Balance at 30 June 2007	298,931	1,493,314	1,792,245
Accumulated amortisation			
Balance at 1 July 2005	-	-	-
Amortisation expense for the year (i)	-	(483,240)	(483,240)
Balance at 30 June 2006	-	(483,240)	(483,240)
Amortisation expense for the year (i)	(112,312)	(614,164)	(726,476)
Balance at 30 June 2007	(112,312)	(1,097,404)	(1,209,716)
Net book value			
As at 30 June 2006	-	1,009,640	1,009,640
As at 30 June 2007	186,619	395,910	582,529
	Company		
	Subscriber acquisition costs	Customer bases	Total
	\$	\$	\$
Gross carrying amount			
Balance at 1 July 2005	-	-	-
Additions	-	482,000	482,000
Balance at 30 June 2006	-	482,000	482,000
Additions		434	434
Additions from internal development	243,963	-	243,963
Disposals		(188,250)	(188,250)
Balance at 30 June 2007	243,963	294,184	538,147
Accumulated amortisation			
Balance at 1 July 2005	-	-	-
Amortisation expense for the year (i)	-	(4,947)	(4,947)
Balance at 30 June 2006	-	(4,947)	(4,947)
Amortisation expense for the year (i)	(86,821)	(299,104)	(385,925)
Disposals	-	86,640	86,640
Balance at 30 June 2007	(86,821)	(217,411)	(304,232)
Net book value			
As at 30 June 2006	-	477,053	477,053
As at 30 June 2007	157,142	76,773	233,915

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Notes to the financial statements

19. Other intangible assets (cont'd)

- (i) Amortisation expense is included in the line item depreciation and amortisation expense in the income statement.
- (ii) The following useful lives are used in the calculation of amortisation:
 - Subscriber acquisition costs 1-2 years
 - Customer bases 6 years

Significant intangible assets

Customer bases

There are four distinguishable intangible assets in the form of customer bases identified and accounted for. The Veritel customer base is a separately identified asset acquired on 1 July 2005 as part of the Veritel business combination. The Ozemail customer base was acquired by a subsidiary from iiNet during October 2005. The T3 customer was acquired by the company from T3/Pacific Internet on 7 June 2006. This customer base was transferred from Bigair Group Limited to Veritel on 30 June 2007 as it is a mobile wireless customer base, and all mobile wireless operations are held in Veritel for the Group. WHome customer base was acquired by the company from Skynet Global on 30 June 2006. All of the customer bases will be fully amortised on a reducing balance method in a manner that allocates the cost of acquisition over the expected benefit period.

Subscriber acquisition costs

Subscriber acquisition costs in relation to customer contracts are recognised as an asset where it is probable that the future economic benefits arising as a result of the costs incurred will flow to the company. Subscriber acquisition costs will be fully amortised over the lesser of the period of the contract and the period during which the future economic benefits are expected to be obtained.

Key assumptions

The key assumptions used to assess amortisation rates are as follows:

Customer bases

- each customer base has been assessed as an individual intangible asset;
- the customers will churn over the next six years;
- each customer has been allocated a life cycle;
- the actual customer base is reviewed each reporting period against the original amortisation model and churned customers are removed from the amortisation model; and
- the expected life of a customer is reviewed annually and if required the amortisation rate is amended.

Subscriber acquisition costs

Subscriber acquisition costs are amortised over the lesser of the period of the contract (1-2 years) and the period during which the future economic benefits are expected to be obtained. Customers are not expected to terminate contracts prior to the end of their contracted term.

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Notes to the financial statements

20. Trade & other payables

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade payables (i)	1,925,767	1,609,947	494,600	506,354
Sundry creditors	107,903	100,462	91,026	63,624
Accruals	232,544	424,724	222,544	111,723
Goods and services tax (GST) payable	6,045	64,555	-	-
Deferred consideration – purchase of customer bases	-	342,535	-	342,535
	<u>2,272,259</u>	<u>2,542,223</u>	<u>808,170</u>	<u>1,024,236</u>

(i) The average credit period on suppliers is 75 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within a reasonable timeframe or where there are disputes within the timeframe agreed by the disputing parties.

21. Income received in advance

Income received in advance from customers	<u>525,678</u>	<u>534,130</u>	<u>-</u>	<u>-</u>
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22. Borrowings

Current:

Unsecured

At cost:

Interest bearing loan from key management personnel (i)

-	150,000	-	150,000
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At amortised cost:

Convertible notes (ii)

-	245,339	-	245,339
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-	<u>395,339</u>	-	<u>395,339</u>
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(i) Interest was charged at 12% p.a. on the interest bearing loan from key management personnel.

(ii) Interest was charged at 12% p.a. on the convertible notes.

23. Provisions

Current

Employee benefits

<u>82,318</u>	<u>42,360</u>	<u>64,578</u>	<u>27,135</u>
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The current provision for employee benefits includes \$11,107 (company: \$10,155) of annual leave entitlements accrued but not expected to be taken within the next 12 months.

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Notes to the financial statements

24. Issued capital

	Consolidated and Company			
	2007		2006	
	No.	\$	No.	\$
Fully paid ordinary shares				
Balance at beginning of financial year	83,522,000	10,221,568	14,777,642	1,915,310
Issue of shares to advisor on acquisition (i)	-	-	820,314	280,000
Issue of shares on acquisition of subsidiary	-	-	6,260,360	1,450,000
Cost of cancelling previously issued options	-	-	-	(120,180)
Sub total	83,522,000	10,221,568	21,858,316	3,525,130
Share split (2.43:1)	-	-	31,409,684	-
Issue of shares in public offering	-	-	30,254,000	7,563,500
Issue of shares in to advisors in relation to public offering (See Note 32 (c))	2,762,714	309,945	-	-
Issue of shares	-	-	-	-
Transfer from reserves (option premium on convertible notes)	-	22,513	-	-
Share based payments	-	-	-	8,661
Share issue costs	-	(10,775)	-	(1,250,748)
Related deferred tax liability	-	-	-	375,025
Balance at end of financial year	86,284,714	10,543,251	83,522,000	10,221,568

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

(i) The fair value was determined by reference to the going market rate for similar consulting services.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share options granted under the Director and Executives Option Scheme are contained in note 10.

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Notes to the financial statements

25. Reserves

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Option premium on convertible notes	-	22,513	-	22,513
Employee equity-settled benefits	161,237	56,859	161,237	56,859
	<u>161,237</u>	<u>79,372</u>	<u>161,237</u>	<u>79,372</u>

Option premium on convertible notes

Balance at beginning of financial year	22,513	-	22,513	-
Issue of convertible note	-	32,000	-	32,000
Related deferred tax liability	-	(9,487)	-	(9,487)
Transfer to fully paid ordinary shares (convertible notes settled)	(22,513)	-	(22,513)	-
Balance at end of financial year	<u>-</u>	<u>22,513</u>	<u>-</u>	<u>22,513</u>

The convertible notes were repaid in July 2006 for their face value of \$250,000.

Employee equity settled benefits reserve

Balance at beginning of financial year	56,859	-	56,859	-
Share-based payments	104,378	56,859	104,378	56,859
Balance at end of financial year	<u>161,237</u>	<u>56,859</u>	<u>161,237</u>	<u>56,859</u>

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in notes 9 and 10 to the financial statements.

Share options

During the financial year, no share options (2006: 7,680,000) over ordinary shares were issued to senior management personnel.

The terms of the options sets out that the option will vest when the share price reaches 40 cents and stays above that price for at least 30 days.

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Notes to the financial statements

26. Earnings per share

	Consolidated	
	2007	2006
	Cents per share	Cents per share
Basic loss per share from continuing operations	(2.3)	(2.2)
Diluted loss per share from continuing operations	(2.3)	(2.2)

Basic and diluted loss per share

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

	Consolidated	
	2007	2006
	\$	\$
Loss for the period attributable to ordinary equity holders of the parent entity	(1,943,147)	(1,333,144)

	Consolidated	
	2007	2006
	No.	No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share.	85,292,007	61,002,564

The incremental shares from assumed exercise of share options and conversion of the convertible note is not included in calculating diluted earnings per share as their conversion is anti dilutive.

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BigAir Group Limited

Notes to the financial statements

27. Commitments for expenditure

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Leasing arrangements				
The Group has a commitment in respect of one non-cancellable lease:				
Non-cancellable operating lease commitments				
Not longer than 1 year	122,060	120,461	122,060	120,461
Longer than 1 year and not longer than 5 years	269,012	391,072	269,012	391,072
	<u>391,072</u>	<u>511,533</u>	<u>391,072</u>	<u>511,533</u>

The Group does not have any lease commitments longer than 5 years.

No liabilities have been recognised in relation to these operating leases.

Leasing arrangements

The Group has a non-cancellable lease over premises located in Sydney. This lease expires on 14 June 2010, with an option to extend for a further three years. The Group does not have an option to purchase the premises at the end of the expiry period.

28. Subsidiaries

	Country of incorporation	Ownership interest	
		2007	2006
		%	%
Parent entity			
BigAir Group Limited	Australia		
Subsidiary			
Veritel Australia Pty Limited	Australia	100	100

(i) The company and its wholly-owned Australian entity are not members of a tax consolidated group under Australian taxation law as of 30 June 2007.

(ii) The subsidiary has a financial year-end date of 30 June.

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Notes to the financial statements

29. Acquisition of a business

Changes in the composition of the Group in the prior period

There were no changes in the composition of the Group during the current year. In the prior period, BigAir Group Limited acquired 100% of the voting equity instruments of Veritel Australia Pty Limited on 1 July 2005. Veritel Australia Pty Limited is a reseller of iBurst and Unwired products.

The purchase consideration totalled \$1,750,000 comprising \$300,000 cash and the issue of 6,260,360 shares at a fair value of \$1,450,000 payable in newly issued ordinary shares of BigAir Group Limited. Costs incidental to the acquisition charged by the corporate advisor associated with the Offer amounted to \$499,818 of which \$169,818 was settled in cash and \$280,000 was converted into 820,314 ordinary shares using the fair value of the shares.

The fair value of the shares issued was determined by reference to recent transactions in the shares between arms length parties due to there being no published market price of the shares at the date of the transactions and arms length negotiations. No operations of the acquired entity will be disposed of as a result of the business combination.

The entity acquired the business at a premium because it believes the business will grow quickly and it will become more profitable with a increase in the number of subscribers. The acquisition will also introduce additional synergies to the existing BigAir business.

The company has ascribed a value of \$560,000 to the customer base acquired which was determined with reference to a similar acquisition transaction undertaken by the company around the time of the acquisition of Veritel. No other intangible assets were separately identified on acquisition. Goodwill of \$2,586,645 arose on acquisition.

Veritel Australia Pty Limited has contributed a loss of \$986,048 (inclusive of amortisation of fair value of customer base acquired and after tax) to the result of the Group since the date of acquisition.

The initial accounting for the business combination has been determined on a provisional basis as management is still reviewing the final fair values of the assets and liabilities acquired.

	Fair value 1 July 2005 \$	Book value 1 July 2005 \$
Net assets acquired		
Current assets		
Cash and cash equivalents	41,486	41,486
Trade and other receivables	285,260	287,901
Inventory	34,291	34,291
Prepayments	12,870	12,870
Total current assets	373,907	376,548
Non-current assets		
Property, plant and equipment	33,561	74,528
Deferred tax assets	218,682	-
Other	2,569	2,569
Customer base	560,000	-
Total non-current assets	814,812	77,097
Total assets	1,188,719	453,645

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BigAir Group Limited

Notes to the financial statements

29. Acquisition of a business (cont'd)

	Fair value 1 July 2005 \$	Book value 1 July 2005 \$
Current liabilities		
Trade and other payables	929,057	929,057
Provisions	213,130	213,130
Total current liabilities	<u>1,142,187</u>	<u>1,142,187</u>
Non-current liabilities		
Borrowings	265,359	265,460
Deferred tax liabilities	168,000	-
Total non-current liabilities	<u>433,359</u>	<u>265,460</u>
Total liabilities	<u>1,575,546</u>	<u>1,407,647</u>
Net fair value of liabilities at acquisition	(386,827)	
Goodwill arising on acquisition	<u>2,586,645</u>	
	<u>2,199,818</u>	
Consideration		
Shares issued at fair value (note 24)	1,450,000	
Cash	300,000	
Acquisition costs – cash	169,818	
Acquisition costs – shares	<u>280,000</u>	
Total consideration	<u>2,199,818</u>	

Further details of the business acquired during the prior financial year are disclosed in note 32(b).

Notes to the financial statements

30. Business and geographical segments

Information on business segments

The Group is organised into two operating divisions – mobile wireless division and fixed wireless division. These divisions are the basis of which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Mobile wireless division sells mobile wireless broadband services based on the wholesale networks of Personal Broadband Australia (“iBurst”) and Unwired; and
- Fixed wireless division sells fixed wireless broadband services to corporate and residential markets utilising its own infrastructure and channel partners.

The Group operates in one geographical area being in Australia.

The Group did not undertake any new operations and it did not discontinue any of its existing operations during the year.

	External sales	
<u>Segment revenues</u>	2007	2006
	\$	\$
Mobile wireless division	6,929,521	5,834,574
Fixed wireless division	2,173,975	1,055,284
Total	9,103,496	6,889,858

	2007	2006
<u>Segment results</u>	\$	\$
Mobile wireless division	(1,292,743)	(1,267,378)
Fixed wireless division	(415,060)	(420,244)
Total of all segments	(1,707,803)	(1,687,622)
Interest revenue	215,087	146,131
Finance costs	(7,403)	(108,184)
Head office costs	(949,033)	(246,342)
Loss before tax	(2,449,152)	(1,896,017)
Income tax benefit	506,005	562,873
Net loss for the year	(1,943,147)	(1,333,144)

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BigAir Group Limited

Notes to the financial statements

30. Business and geographical segments (cont'd)

	Assets 2007 \$	Liabilities 2007 \$	Assets 2006 \$	Liabilities 2006 \$
Segment assets and liabilities				
Mobile wireless service	2,327,948	2,007,507	4,602,656	2,067,342
Fixed wireless service	7,099,520	872,748	6,998,208	1,446,710
Total	9,427,468	2,880,255	11,600,864	3,514,052
		Mobile wireless \$	Fixed wireless \$	Total \$
Other segment information				
2007				
Acquisition of segment assets		161,579	1,274,416	1,435,995
Depreciation of segment assets		16,089	600,469	616,558
Amortisation of segment intangible assets		752,243	304,233	1,056,476
2006				
Acquisition of segment assets		31,886	654,954	686,840
Depreciation of segment assets		17,681	371,498	389,179
Amortisation of segment intangible assets		472,839	4,947	477,786

31. Related party transactions

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 28 to the financial statements.

(b) Key management personnel compensation

Details of specified key management personnel remuneration are disclosed in the remuneration report of the financial statements and in Note 9.

Notes to the financial statements

31. Related party transactions (cont'd)

(c) Loan from key management personnel

On 31 July, 2006 the Group repaid an interest bearing loan of \$150,000 from a company associated with the CEO and the interest on the loan for the year was \$1,500 (2006: \$25,356). The loan carried interest of 12% p.a. payable monthly.

(d) Key management personnel equity holdings

Fully paid ordinary shares of BigAir Group Limited

	Balance at 1 July	Granted as remunera- tion	Received on exercise of options	Ordinary shares acquired	Net other change	Balance at 30 June
	No.	No.	No.	No.	No.	No.
2007						
Anthony Tobin	144,000	-	-	-	-	144,000
Shane Allan	-	-	-	-	-	-
Anne Lenagan	100,000	-	-	-	-	100,000
Nigel Jeffries	8,000,000	-	-	-	-	8,000,000
Jason Ashton	9,579,718	-	-	-	-	9,579,718
Ivan Hurwitz	6,416,256	-	-	-	-	6,416,256
Patrick Choi	6,482,411	-	-	-	-	6,482,411
David Keane	3,691,787	-	-	-	-	3,691,787
	<u>34,414,472</u>	-	-	-	-	<u>34,414,472</u>
2006						
Anthony Tobin	-	-	-	144,000	-	144,000
Shane Allan	-	-	-	-	-	-
Anne Lenagan	-	-	-	100,000	-	100,000
Nigel Jeffries	-	-	-	8,000,000	-	8,000,000
Jason Ashton	9,579,718	-	-	-	-	9,579,718
Ivan Hurwitz	6,416,256	-	-	-	-	6,416,256
Patrick Choi	6,482,411	-	-	-	-	6,482,411
David Keane	3,091,787	-	-	600,000	-	3,691,787
	<u>25,570,172</u>	-	-	<u>8,844,000</u>	-	<u>34,414,472</u>

Notes to the financial statements

31. Related party transactions (cont'd)

Executive share options of BigAir Group Limited

	Balance at 1 July	Received as remun- eration	Exercise d of options	Net other change	Balance at 30 June	Balance vested at 30 June	Vested but not exercis- able No.	Vested and exercise- able No.	Options vested during year No.
	No.	No.	No.	No.	No.	No.	No.	No.	No.
2007									
Anthony Tobin	720,000	-	-	-	720,000	-	-	-	-
Shane Allan	720,000	-	-	-	720,000	-	-	-	-
Anne Lenagan	720,000	-	-	-	720,000	-	-	-	-
Nigel Jeffries	-	-	-	-	-	-	-	-	-
Jason Ashton	1,920,000	-	-	-	1,920,000	-	-	-	-
Ivan Hurwitz				(1,920,000)					
	1,920,000	-	-)	-	-	-	-	-
Patrick Choi	1,920,000	-	-	-	1,920,000	-	-	-	-
David Keane	1,920,000	-	-	-	1,920,000	-	-	-	-
				(1,920,000)					
	<u>9,840,000</u>	<u>-</u>	<u>-</u>	<u>)</u>	<u>7,920,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2006									
Anthony Tobin	-	1,200,000	-	(480,000)	720,000	-	-	-	-
Shane Allan	-	1,200,000	-	(480,000)	720,000	-	-	-	-
Anne Lenagan	-	1,200,000	-	(480,000)	720,000	-	-	-	-
Nigel Jeffries	-	-	-	-	-	-	-	-	-
Jason Ashton	-	1,920,000	-	-	1,920,000	-	-	-	-
Ivan Hurwitz	-	1,920,000	-	-	1,920,000	-	-	-	-
Patrick Choi	-	1,920,000	-	-	1,920,000	-	-	-	-
David Keane	-	1,920,000	-	-	1,920,000	-	-	-	-
		11,280,000		(1,440,000)					
		<u>0</u>		<u>)</u>	<u>9,840,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

All share options issues to key management personnel were made in accordance with the company's Constitution. During the financial year, no options were exercised by key management personnel. Further details of the executive share option plan and of share options granted during the financial year is contained in note 9 to the financial statements.

(e) Transactions with other related parties

Transactions between BigAir Group Limited (the company) and its related parties

During the financial year, the following transactions occurred between the company and its other related parties:

- BigAir Group Limited transferred overhead charges it had incurred on behalf of its subsidiary totalling \$269,558 to its subsidiary.
- BigAir Group Limited received interest income of \$141,712 from its subsidiaries on its intercompany loan receivable.
- BigAir Group Limited sold the T3 customer base to its subsidiary, at written down value.
- BigAir Group Limited transferred the revenues and expenses related to WHome from the subsidiary to the holding company that had been collected and incurred by its subsidiary on its behalf.

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Notes to the financial statements

The following balance arises from transactions between the company and its other related parties at reporting date:

- BigAir Group Limited held an intercompany loan of \$1,591,506 due from its subsidiary.

31. Related party transactions (cont'd)

All amounts advanced to or payable to related parties are unsecured and are subordinate to other liabilities.

The amounts outstanding will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Transactions and balances between the company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

32. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

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

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash and cash equivalents	2,771,147	5,003,303	2,596,548	4,572,914

(b) Businesses acquired

During the prior financial year, one business was acquired. Details of the acquisition are as follows (note 29):

Net cash outflow on acquisition

Cash and cash equivalents consideration	-	469,719	-	469,719
Less cash and cash equivalent balances acquired	-	(41,387)	-	-
	-	428,332	-	469,719

(c) Non-cash financing and investing activities

During the current financial year, the Group had four share issues relating to professional services performed in relation to the prior period's IPO, which amounted to \$309,945 in value. Other than these four transactions, the Group did not have any non-cash financing and investing activities.

(d) Financing Facilities

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Notes to the financial statements

During the current financial year, the Group did not have any used or unused loan facilities.

32. Notes to the cash flow statement (cont'd)

(e) Cash balances not available for use

During the current financial year, there were no significant cash and cash equivalent balances that were not available for use.

(f) Reconciliation of loss for the period to net cash flows from operating activities

	Consolidated		Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Loss for the year	(1,943,147)	(1,333,144)	(2,641,423)	(347,096)
Depreciation, amortisation and impairment of non-current assets	1,673,034	866,965	1,890,791	376,445
Equity settled share-based payment	104,378	56,859	104,378	56,859
Increase in deferred tax balances	(506,005)	(562,873)	(314,176)	(151,551)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
Increase/decrease in assets:				
Current receivables	22,878	(166,787)	(18,479)	(6,450)
Current inventories	(18,713)	(3,751)	-	-
Other current assets	35,311	(149,358)	33,279	(22,376)
Other current liabilities	136,040	1,102,998	131,321	329,026
	<u>136,040</u>	<u>1,102,998</u>	<u>131,321</u>	<u>329,026</u>
Cash flows from/(used in) operations	<u>(496,224)</u>	<u>(189,091)</u>	<u>(213,840)</u>	<u>234,857</u>

33. Financial instruments

(a) Financial risk management objectives

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative or any other purposes.

(b) 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 income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

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Notes to the financial statements

33. Financial instruments (cont'd)

(c) Interest rate risk management

The Group is exposed to interest rate risk on cash holdings and occasional borrowings. The risk is managed by the Group by ensuring that cash holdings must be invested in one of Australia's large 4 banks and that any borrowings are obtained at fixed interest rates.

The following tables detail the Group's exposure to interest rate risk:

2007	Weighted average effective interest rate %	Maturity dates			Non interest bearing	Total
		Less than 1 year	1-5 years	More than 5 years		
		\$	\$	\$	\$	\$

Financial assets:

Cash and cash equivalents	6.1%	2,771,147	-	-	-	2,771,147
Trade and other receivables	-	-	-	-	547,436	547,436
		<u>2,771,147</u>	<u>-</u>	<u>-</u>	<u>547,436</u>	<u>3,318,583</u>

Financial liabilities:

Trade and other payables	-	-	-	-	2,272,259	2,272,259
Employee benefits	-	-	-	-	82,813	82,813
		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,355,072</u>	<u>2,355,072</u>

2006	Weighted average effective interest rate %	Maturity dates			Non interest bearing	Total
		Less than 1 year	1-5 years	More than 5 years		
		\$	\$	\$	\$	\$

Financial assets:

Cash and cash equivalents	5.6%	5,003,303	-	-	-	5,003,303
Trade and other receivables		-	-	-	624,438	624,438
		<u>5,003,303</u>	<u>-</u>	<u>-</u>	<u>624,438</u>	<u>5,627,741</u>

Financial liabilities:

Trade and other payables		-	-	-	2,542,223	2,542,223
Related party loans	12%	150,000	-	-	-	150,000
Convertible notes	1% p.m.	245,339	-	-	-	245,339
Employee benefits		-	-	-	42,360	42,360
		<u>395,339</u>	<u>-</u>	<u>-</u>	<u>2,584,583</u>	<u>2,979,922</u>

(d) Credit risk management

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

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Notes to the financial statements

33. Financial instruments (cont'd)

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

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

(e) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined with reference to the standard terms and conditions.

Transaction costs are included in the determination of net fair value.

(f) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

34. Subsequent events

On 27 July, BigAir Group Limited appointed new directors, Mr Ray Catelan, Mr Patrick Choi and Mr Danny Herceg. Mr Catelan is a successful entrepreneur. He is also the current Managing Director of ASX listed CMI and past major shareholder and Managing Director of RP Data, which completed a successful ASX listing in December 2006. Mr Choi is a significant founding shareholder and Chief Financial Officer of BigAir. Mr Danny Herceg has been appointed Chairman of BigAir and is also a non-executive director of ASX listed CMI and the Managing Director of legal firm Herceg Lawyers.

Existing directors Mr Anthony Tobin (Chairman), Mr Shane Allan and Ms Anne Lenagan resigned on the same day.

Other than what is mentioned in the notes to the financial statements, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

35. Commitments for expenditure

The business does not have any significant commitments as at the end of the financial year, other than the non-cancellable operating lease commitments are disclosed in note 27 to the financial statements.

36. Contingent liabilities and contingent assets

The business has no contingent liabilities or assets as at the end of the financial year.

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BigAir Group Limited

Additional stock exchange information as at 30 June 2007

Number of holders of equity securities

Ordinary share capital

- 86,284,714 fully paid ordinary shares are held by 406 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

- 9,090,000 options are held by 8 individual option holders.

Options do not carry a right to vote.

Restricted securities and securities subject to voluntary escrow

Security Type – fully paid ordinary shares	Number of securities issued	End date
Restricted securities (24 months from listing)	23,391,139	7 April 2008

On-market buy-back

The company has no on-market buy-back.

Distribution of holders of equity securities

	Fully paid ordinary shares	Convertible notes	Options
1 – 1000	2	-	-
1,001 – 5,000	19	-	-
5,001 – 10,000	207	-	-
10,001 – 100,000	122	-	-
100,001 and over	56	-	8
	406	-	8
Holding less than a marketable parcel	-	-	-

Substantial shareholders

Ordinary shareholders	Fully Paid	
	Number	Percentage
R P PROSPECTS PTY LTD <M & L A/C>	14,408,858	16.699
JMAS PTY LTD	9,579,718	11.102
PRIVATE NOMINEES LIMITED	8,000,000	9.272
MR PATRICK CHOI	6,482,411	7.513
MR IVAN HURWITZ	6,416,256	7.436

BigAir Group Limited

Additional stock exchange information as at 30 June 2007 (cont'd)

Twenty largest holders of quoted equity securities

	Fully Paid	
	Number	Percentage
Ordinary shareholders		
R P PROSPECTS PTY LTD <M & L A/C>	14,408,858	16.699
JMAS PTY LTD	9,579,718	11.102
PRIVATE NOMINEES LIMITED	8,000,000	9.272
MR PATRICK CHOI	6,482,411	7.513
MR IVAN HURWITZ	6,416,256	7.436
MR DAVID KEANE	3,691,787	4.279
MR ROBERT GILLAN	2,076,346	2.406
D S J INVESTMENT FUND PTY LTD <SUPER FUND A/C>	2,031,435	2.354
RPD QLD PTY LTD*	2,000,000	2.318
MR WALLACE MACKENZIE ASHTON	1,861,982	2.158
MR KARL WILLIAM VIZVARY	1,789,374	2.074
ZAZU HOLDINGS PTY LTD	1,400,000	1.623
MR BEN LOITERTON	1,305,420	1.513
LAI SUN KEANE	1,138,904	1.320
MR WILLIAM FORSYTH	1,071,460	1.242
E-PAY ASIA LIMITED	1,054,217	1.222
MR VINCENT SWEENEY & MR STEVE LIEBESKIND <SYDNEY CAPITAL PARTNERS A/C>	1,017,792	1.180
VORPAL PTY LIMITED	945,448	1.096
CARFORE PTY LIMITED	871,604	1.010
DAVID FAHEY	793,674	0.919
	<u>67,936,686</u>	<u>77.817</u>

* An associate of R P PROSPECTS PTY LTD <M & L A/C>

Company Secretary

Patrick Choi

Registered office and principle administration office

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