

Appendix 4E

Preliminary final report

Period ending on or after 30 June 2006

Sirius Telecommunications Limited and Controlled Entities ACN 94 050 240 330

1 Details of the reporting period and the previous corresponding period.

Reporting Period	Financial Year ending	30 June 2006
Previous Corresponding Period	Financial Year ending	30 June 2005

2 Results for announcement to the market

2.1 The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.

Revenue from continuing operations	\$'000	7,336
Revenue from discontinuing operations	\$'000	8,825
Total revenue in reporting period	\$'000	16,161
Previous corresponding period	\$'000	23,210
Percentage change up or down from the previous corresponding period of revenue from ordinary activities	%	(30.37)%

2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.

Profit (loss) from continuing operations after tax	\$'000	(1,527)
Profit (loss) from discontinued operations after tax	\$'000	-
Total Profit (Loss) in Reporting Period	\$'000	(1,527)
Previous Corresponding Period	\$'000	(4,673)
Percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.	%	67.32%

2.3 The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.

Profit (loss) from continuing operations after tax	\$'000	(1,527)
Profit (loss) from discontinued operations after tax	\$'000	-
Reporting Period	\$'000	(1,527)
Previous Corresponding Period	\$'000	(4,673)
Percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.	%	67.32%

2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.

No dividends proposed relating to the reporting period

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2.5 *The record date for determining entitlements to the dividends (if any).*

Not applicable

2.6 **A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.**

Refer to explanatory notes below.

In the half year report issued in March 2006, the newly appointed board of Directors advised that the company was in urgent need of a major review of its business units and cost base. External professional advise indicated the company was financially at risk and, as a result of circumstances at the time, there was uncertainty regarding the ability of the company to continue as a going concern. Directors also advised that a number of contract sales in the pipeline that would normally fall into the third quarter had been brought forward to the first half, thereby impacting the level of sales and profitability in the third quarter of the year.

The directors are pleased to report that actions have now been taken which they are confident will result in business longevity and enable the company to move forward with confidence.

In March 2006 there was a major restructure of the board of directors which saw the formation of a new three-member board. This ensured that the company completed the consolidation of its business units and rationalization of its operations at every level. A new flatter executive management structure was introduced to reduce corporate and compliance costs to a minimum, while continuing to invest in business units.

Sirius is now ready to reap the benefits of the business restructure and has positioned itself to exploit the new opportunities. The company continues to serve a loyal and well established customer base that include companies like Qantas, ANZ Bank Royal Prince Alfred Hospital, IAG Insurance Limited, Computer Sciences Corporation, Cadbury Schweppes, Swan Hill Rural City Council, Adelaide Bank and others.

Sirius experienced the full brunt this financial year of the cessation of the contracts referred to in the last annual report. This necessitated a drastic restructure of the business and forced an earlier than expected cost reduction program that was implemented and completed in June 2006. This was required to re-align the business to current revenue levels and market conditions. The cost of the restructure was approximately \$0.7 million. The benefits of these initiatives will flow through in the coming year.

Revenue declined from \$23.2 million in 2004/05 to \$16.1 million in 2005/06, largely due to the cessation of two contracts - the Telstra Defence Contract (\$7 million) and Hamilton Island Contract (\$1.8 million). The company recorded an EBITDA loss of \$0.7 million in 2005/06 (compared to \$0.4 million profit the previous year) and a bottom line net loss of \$1.5 million (compared to \$4.67 million loss the previous year). The EBITDA loss was primarily brought about due to the cost of exiting the two major contracts mentioned above.

Pending sale of Sirius Converged Solutions (SCS)

In June 2006, the company announced the successful sale of SCS for \$1.2 million and it is expected that after extensive due diligence, this transaction will be completed in September 2006. After adjustments it is expected that there will be an inflow of approximately \$1.0 million in cash to the company. The cash, plus the improved operating financial management of the company has meant that the severe liquidity position of the company has been overcome.

The company has managed to fund itself during the restructure and downsizing process and has not relied on any financial instruments or external financing.

Company Outlook

As the company has worn the brunt of the cessation of two major contracts in the last financial year, the cost of restructure has already been absorbed. As a result it is expected that in the 2006/07 financial year that the company will return to, full profitability, the first time since 2002/03.

The board and executive has a positive outlook, is united in its strategy and is committed to rebuild shareholder wealth.

The company expects to continue to grow its market share in the Phoneware call accounting business, which is currently just over 40% in Australia.

Further strategic initiatives are being undertaken to ensure a clear path is set for the future and this may result in a consolidation of the call accounting market. In addition the company continues to source further innovative products and services that it can add to its current portfolio of offerings as part of being a leader in the market of best-of-breed technologies.

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3 *An income statement together with notes to the statement, prepared in compliance with AASB 101.*

Income Statement

For the year ended 30 June 2006

	Notes	Consolidated 2006 \$'000	2005 \$'000
Revenue from continuing operations	1	7,336	16,142
Cost of goods sold		(320)	(243)
Facilities management operational leases		(163)	(163)
Telecommunication carrier costs		(256)	(442)
Employee benefits and related expenses		(5,157)	(12,094)
Occupancy expenses		(772)	(1,023)
Travel, accommodation & entertainment		(208)	(275)
Professional Fees - (non Director related)		(220)	(224)
Insurance		(190)	(224)
Borrowing cost expenses	2	(30)	(20)
Other expenses from operating activities		(859)	(871)
Depreciation and amortisation expenses	2	(679)	(4,882)
Profit (loss) from continuing operations before income tax expense		(1,518)	(4,319)
Income tax expense	3	9	-
Profit (loss) from continuing operations		(1,527)	(4,319)
Profit (loss) from discontinued operations	20	-	(354)
Net profit (loss) attributable to members of Sirius Telecommunications Limited		(1,527)	(4,673)
Total changes in equity other than those resulting from transactions with owners as owners	17	(1,527)	(4,673)

The above income statement should be read in conjunction with the accompanying notes

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4 *A balance sheet together with notes to the statement. The balance sheet may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.*

Balance Sheet

As at 30 June 2006

	Notes	Consolidated	
		2006	2005
		\$'000	\$'000
Current Assets			
Cash and Cash Equivalents Assets	4	214	738
Trade and Other Receivables	5	2,319	4,146
Inventories	6	59	115
Other	7	241	174
Assets classified as held for sale	20	817	1,660
Total Current Assets		3,650	6,833
Non Current Assets			
Property Plant & Equipment	8	573	1,046
Intangible Assets	9	-	-
Total Non Current Assets		573	1,046
TOTAL ASSETS		4,223	7,879
Current Liabilities			
Trade and Other Payables	10	2,266	3,356
Borrowings	11	-	-
Current Tax Liabilities	12	-	9
Other	13	784	950
Liabilities classified as held for sale	20	486	1,287
Total Current Liabilities		3,536	5,602
Non Current Liabilities			
Deferred Tax Liabilities	14	-	-
Provisions	15	205	268
Total Non Current Liabilities		205	268
TOTAL LIABILITIES		3,741	5,870
NET ASSETS		482	2,009
Equity			
Contributed Equity	16	7,779	7,779
Accumulated Losses	17	(7,297)	(5,770)
TOTAL EQUITY	18	482	2,009

The above balance sheet should be read in conjunction with the accompanying notes

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- 5 a) *A statement of changes in equity together with notes to the statement. The statement of changes in equity may be condensed but must comply with the disclosure requirements of AASB 101*

Statement of Changes in Equity For the year ended 30 June 2006

	Notes	Consolidated	
		2006 \$'000	2005 \$'000
Total equity at the beginning of the financial year		<u>2,009</u>	<u>6,682</u>
Profit (Loss) for the financial year		(1,527)	(4,673)
Total equity at the end of the financial year		<u><u>482</u></u>	<u><u>2,009</u></u>

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

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- 5 *A cash flow statement together with notes to the statement. The cash flow statement may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 107 Cash Flow Statements, or for foreign entities, the equivalent foreign accounting standard.*

Cash Flow Statement

For the year ended 30 June 2006

	Notes	Consolidated 2006 \$'000	2005 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		19,598	23,972
Payments to suppliers and employees (inclusive of GST)		(19,018)	(23,577)
		580	395
Interest received	1	6	8
Borrowing costs	2	(30)	(19)
Income taxes paid		(9)	(19)
Net cash inflow from operating activities	19	547	365
Cash flows from investing activities			
Payments for property plant and equipment		(221)	(1,227)
Net cash inflow (outflow) from investing activities		(221)	(1,227)
Cash flows from financing activities			
Repayment of borrowings		(850)	(155)
Net cash inflow (outflow) from financing activities		(850)	(155)
Net increase (decrease) in cash held		(524)	(1,017)
Cash at the beginning of the financial year		738	1,755
Cash at the end of the financial year	4	214	738

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

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Notes to Sections 3, 4 & 5.

1. Revenue

	Notes	Consolidated	
		2006	2005
		\$'000	\$'000
Revenue from continuing operations			
Sales of goods		914	732
Services		<u>6,416</u>	<u>15,402</u>
		<u>7,330</u>	<u>16,134</u>
Other revenue			
Interest received		<u>6</u>	<u>8</u>
Revenue from continuing operations		<u>7,336</u>	<u>16,142</u>
Revenue from discontinuing operations	20	<u>8,825</u>	<u>7,068</u>
Total Revenue		<u><u>16,161</u></u>	<u><u>23,210</u></u>

2. Operating profit (loss)

		Consolidated	
		2006	2005
		\$'000	\$'000
Net profit (losses) and expenses			
Profit (loss) before income tax includes the following specific expenses:			
Depreciation			
Plant and equipment		<u>815</u>	<u>799</u>
Amortisation			
Leasehold improvements		5	19
Plant and equipment under finance lease		12	46
Deferred software development		-	4,199
Total amortisation		<u>17</u>	<u>4,264</u>
Other charges against assets			
Bad and doubtful debts		<u>78</u>	<u>52</u>
Borrowing costs			
Interest and finance charges paid/payable		<u>30</u>	<u>20</u>
Rental expense relating to operating leases			
Minimum lease payments		<u>1,148</u>	<u>1,599</u>
Net loss on disposal of fixed assets		<u>391</u>	<u>-</u>

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Notes to Sections 3, 4 & 5.

3. Income Tax

Consolidated	
2006	2005
\$'000	\$'000

- a) The income tax expense for the financial year differs from the amount calculated on the profit (loss).

The differences are reconciled as follows:

Profit (loss) from ordinary activities before income tax expense	<u>(1,518)</u>	<u>(4,673)</u>
Income tax calculated @ 30%	(455)	(1,402)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Sundry items	15	3
Deferred tax asset not brought to account	<u>440</u>	<u>1,399</u>
Income tax expense	<u>-</u>	<u>-</u>

- b) Sirius Telecommunications Limited and its subsidiaries have consolidated for taxation purposes.

The deferred tax asset relating tax losses and timing differences not brought to account of approximately \$3.4m will only be obtained if:

- The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for losses to be realised;
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefits from the deduction for the tax losses.

4. Current assets - Cash assets

Consolidated	
2006	2005
\$'000	\$'000

Cash at bank and on hand	<u>214</u>	<u>738</u>
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5. Current assets - Receivables

Consolidated	
2006	2005
\$'000	\$'000

Trade debtors	2,458	4,207
Less: Provision for doubtful debts	(139)	(61)
	<u>2,319</u>	<u>4,146</u>

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Notes to Sections 3, 4 & 5.

6. Current assets - Inventories

	Consolidated	
	2006	2005
	\$'000	\$'000
Raw materials and stores - at cost	<u>59</u>	<u>115</u>

7. Current assets - Other

	Consolidated	
	2006	2005
	\$'000	\$'000
Deposits	-	-
Prepayments	180	53
Accrued Income	21	93
Sundry Debtors	40	28
	<u>241</u>	<u>174</u>

8. Non-current assets - Property, plant and equipment

	Consolidated	
	2006	2005
	\$'000	\$'000
Leasehold improvements		
At cost	18	17
Less: Accumulated amortisation	(9)	(4)
Total leasehold improvements	<u>9</u>	<u>13</u>
Plant and equipment		
At cost	2,906	2,614
Less: Accumulated depreciation	(2,360)	(1,581)
	<u>546</u>	<u>1,033</u>
Plant and equipment under finance lease	311	-
Less: Accumulated amortisation	(293)	-
	<u>18</u>	<u>-</u>
Total plant and equipment	<u>564</u>	<u>1,033</u>
	<u>573</u>	<u>1,046</u>

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Notes to Sections 3, 4 & 5.

9. Non-current assets - Intangible assets

	Consolidated	
	2006	2005
	\$'000	\$'000
Goodwill at cost	-	-
Less: Accumulated amortisation	-	-
	<u>-</u>	<u>-</u>
Deferred software development	6,353	6,353
Less: Accumulated amortisation	(6,353)	(6,353)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Pursuant to the company's accounting policy in respect of Intangibles, at June 2005 the company reviewed the carrying value of the deferred software development costs in consideration of future benefits expected to arise there from. In the light of strategic business and operational changes during the year, changes in market conditions and the consequential absence of demand for specific products to which these costs relate, the deferred software costs were written down to nil.

10. Current liabilities - Payables

	Consolidated	
	2006	2005
	\$'000	\$'000
Trade payables	1,789	2,176
Other payables	477	1,180
	<u>2,266</u>	<u>3,356</u>

As a result of the transition from previous AGAAP to AIFRS, AASB 119 Employee Benefits requires the annual leave liability expected to be settled within 12 months of the reporting date, to be classified in other payables. The following year end balances previously disclosed as a current liability provision for annual leave under AGAAP is now disclosed in Other Payables:

Employee benefits	<u>212</u>	<u>522</u>
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Notes to Sections 3, 4 & 5.

11. Current liabilities - Borrowings

	Consolidated	
	2006	2005
	\$'000	\$'000
Secured		
Hire purchase / lease liability	-	-
Fully Drawn Advance	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Security for interest bearing liabilities

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of a default. Fully Drawn Advance is secured against inventory and associated trade debtors related to equipment sales.

Assets pledged as security

The carrying amounts of assets pledged as security are:

Current assets

Cash Assets	-	738
Receivables	-	4,146
Inventories	-	457
Other	-	353

Non-current assets

Property Plant & Equipment	-	2,185
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Total assets pledged as security

	<u>-</u>	<u>7,879</u>
	<u>-</u>	<u>7,879</u>

Financing arrangements

Unrestricted access was available at balance date to the following lines of credit:

Credit standby arrangements

Total facilities

Bank overdrafts	-	500
Fully Drawn Advance	-	850
	<u>-</u>	<u>1,350</u>
	<u>-</u>	<u>1,350</u>

Used at balance date

Bank overdrafts	-	-
Fully Drawn Advance	-	850
	<u>-</u>	<u>850</u>
	<u>-</u>	<u>850</u>

Unused at balance date

Bank overdrafts	-	500
Fully Drawn Advance	-	-
	<u>-</u>	<u>500</u>
	<u>-</u>	<u>500</u>

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Notes to Sections 3, 4 & 5.

12. Current liabilities - Current tax liabilities

	Consolidated	
	2006	2005
	\$'000	\$'000
Income tax	-	9

13. Current liabilities - Other

	Consolidated	
	2006	2005
	\$'000	\$'000
Income in advance	784	950

14. Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2006	2005
	\$'000	\$'000
Income Tax	-	-

15. Non-current liabilities - Provisions

	Consolidated	
	2006	2005
	\$'000	\$'000
Employee benefits	205	268

16. Contributed equity

	Consolidated	
	2006	2005
	\$'000	\$'000
Ordinary Shares		
Fully paid	7,779	7,779

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Notes to Sections 3, 4 & 5.

17. Accumulated losses

	Consolidated	
	2006	2005
	\$'000	\$'000
Accumulated losses at the beginning of the financial year	(5,770)	(1,097)
Net profit (loss) attributable to members of Sirius Telecommunications Limited	(1,527)	(4,673)
Accumulated losses at the end of the financial year	<u>(7,297)</u>	<u>(5,770)</u>

18. Equity

	Consolidated	
	2006	2005
	\$'000	\$'000
Total equity at the beginning of the financial year	2,009	6,682
Total changes in equity recognised in the statements of financial performance	(1,527)	(4,673)
Total equity at the end of the financial year	<u>482</u>	<u>2,009</u>

19. Reconciliation of operating profit (loss) after income tax to net cash inflow from operating activities

	Consolidated	
	2006	2005
	\$'000	\$'000
Operating profit (loss) after income tax	(1,527)	(4,673)
Depreciation and amortisation	832	5,063
Loss on sale of fixed assets	391	-
Change in operating assets and liabilities		
Trade debtors and receivables	1,827	(1,550)
Inventories	352	(313)
Other operating assets	(91)	1,333
Trade creditors and accruals	(1,135)	790
Provision for income taxes payable	(9)	(19)
Other provisions	(93)	(266)
Net cash inflow (outflow) from operating activities	<u>547</u>	<u>365</u>

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Notes to Sections 3, 4 & 5.

20. Discontinued operations

a) Description

On 28 June 2006, Sirius Telecommunications Limited announced its intention to sell its Converged Solutions Division. The Directors expect to finalise the sale agreement in September 2006. The division disposed of is reported in this financial report as a discontinued operation. The cash sale price is approximately \$1.2M subject to completion of the transaction. The sale has not been brought to account at 30 June 2006 as agreement with regards to the sale of the division was not entered into until after the end of the financial year.

Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period ended 28 June 2006 (2006 column) and the year ended 30 June 2005.

	Consolidated	
	2006	2005
	\$'000	\$'000
Revenue	8,825	7,068
Expenses	(8,825)	(7,422)
Profit/(loss) before income tax	-	(354)
Income tax expense	-	-
Profit/(loss) after income tax of discontinued operations	-	(354)
Net cash inflow from operating activities	1,343	125
Net cash inflow (outflow) from investing activities	(21)	(122)
Net cash (outflow) from financing activities	(850)	(46)
Net increase in cash generated by the division	472	(43)

c) Carrying amount of assets and liabilities

The carrying amount of assets and liabilities as at 28 June 2006 (2006 column) and 30 June 2005 are:

	Consolidated	
	2006	2005
	\$'000	\$'000
Inventories	46	342
Other current assets	149	179
Property, plant and equipment	622	1,139
Total assets	817	1,660
Other payables	263	309
Other current liabilities	210	85
Borrowings	-	850
Provision for employee benefits	13	43
Total liabilities	486	1,287
Net assets	331	373

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- 6** *Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.*

No payments made.

- 7** *Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.*

No plans approved.

- 8** *A statement of retained earnings showing movements.*

See Statement of Changes in Equity

- 9** *Net tangible assets per security with the comparative figure for the previous corresponding period.*

Reporting Period	Cents	<table border="1"><tr><td>1.1</td></tr></table>	1.1
1.1			
Previous Corresponding Period	Cents	<table border="1"><tr><td>4.3</td></tr></table>	4.3
4.3			

- 10** *Details of entities over which control has been gained or lost during the period.*

- 10.1** *Name of the entity.*

Not applicable

- 10.2** *The date of the gain or loss of control.*

Not applicable

- 10.3** *Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.*

Not applicable

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11 *Details of associates and joint venture entities including the following.*

11.1 *Name of the associate or joint venture entity.*

Not applicable

11.2 *Details of the reporting entity's percentage holding in each of these entities.*

Not applicable

11.3 *Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.*

Reporting Period	\$'000	N/A
Previous Corresponding Period	\$'000	N/A

12 *Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.*

Refer to explanatory notes below.

13 *For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).*

Not applicable

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14 *A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following.*

14.1 *The earnings per security and the nature of any dilution aspects.*

	Consolidated	
	2006	2005
	Cents	Cents
Basic earnings per share	(3.3)	(10.2)
Diluted earnings per share	(i)	(i)
Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating basic earnings per share	45,907,500	45,907,500
Diluted Earnings per share		
Weighted average number of shares used as the denominator in calculating diluted earnings per share	(i)	(i)

(i) Not materially different to basic earnings per share

14.2 *Returns to shareholders including distributions and buy backs.*

None made

14.3 *Significant features of operating performance.*

Refer to section 2.6

14.4 *The results of segments that are significant to an understanding of the business as a whole.*

Segment information

The consolidated entity and all its controlled entities operate in the telecommunications industry and is considered by the Board to operate within a single segment of that industry, being the field of Managed Services.

The activities of the consolidated entity are carried out wholly from within the Australasian region which is considered by the Board to represent one geographical market.

14.5 *A discussion of trends in performance.*

Refer to section 2.6

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- 14.6 Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.*

Refer to section 2.6

- 15 A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed*

This report is based on accounts that are in the process of being audited.

- 16 If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.*

No change anticipated from the results reported.

- 17 If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.*

No dispute or qualification known at the date of lodgement of this report.

(Director)



Print Name

ROGER MASON

Date

7 September 2006