

Directors' report

The Directors present their report on the economic entity (referred to hereafter as the Group) for the financial year ended 30 June 2007.

Directors

The names of the Directors in office at any time during or since the end of the financial year are:

Mr Roger Mason, Chairman

Executive Director

Mr Francesco Licciardello

Managing Director

Mr Roger Moore

Non-Executive Director

Mr Arthur Lagos

Non-Executive Director

Mr Trevor Moyle

Non-Executive Director

Mr Keith Goss

Non-Executive Director

Mr Trevor Moyle & Mr Keith Goss were appointed as Non-Executive directors on 16 August 2007 and continue in office at the date of this report.

Mr Francesco Licciardello was Chief Executive Officer until 14 March 2007 at which date he was appointed as Group Managing Director.

Trevor Moyle was the only director to hold or has held any other directorships in listed companies in the three year period up to 30 June 2007.

Profiles of the Current Directors are included on pages 12 to 13 of this report. The name, qualifications and experience of the Company Secretaries are set out on page 15 and forms part of this report.

Directors' interests in securities of the Company

The Directors' interests in shares, vendor options and executive options over shares of the Company as at the date of this report were as follows:

| | Number of Ordinary Shares | | Number of Vendor Options | | Number of Executive Options | |
|--|---------------------------|-------------------|--------------------------|-------------------|-----------------------------|-------------------|
| | Direct Interest | Indirect Interest | Direct Interest | Indirect Interest | Direct Interest | Indirect Interest |
| Shareholders | | | | | | |
| F Licciardello | 1,785,730 | | | | 1,000,000 | |
| RF & LF Mason Pty Ltd ¹ | | 9,477,036 | | | | |
| Kosata Pty Ltd ² | | 20,387,036 | | | | |
| RF & LF Mason ³ | | 1,803,461 | | | | |
| RJ & MK Moore ⁴ | | 500,000 | | | | |
| A Lagos | 4,000 | | | | 200,000 | |
| Lassetter Management Pty Lt ⁵ | | 1,616,000 | | | | |
| Lassetter Management Pty Lt ⁶ | | 1,868,000 | | | | |
| BMG Finance Pty Ltd ⁷ | | 23,133,266 | | | | |
| Teralbay Pty Ltd ⁸ | | 330,000 | | | | |

1. A company which is the trustee of the Mason Family Trust and the Mason Class Trust, Roger Mason having a beneficial interest in each Trust.

2. A company which is the trustee of the Darebin Unit Trust and the Kosata Class Trust, Roger Mason having a beneficial interest in each Trust.

3. Held by RF & LF Mason as trustees of the Mason Superannuation Fund, in which Roger Mason has a beneficial interest.

4. Held by RJ & MK Moore as trustee of the Moore Superannuation Fund, in which Roger Moore has a beneficial interest.

5. Held by Lassetter Management as trustee for the Lagos Family Trust.

6. Held by Lassetter Management as trustee for the Lagos Superannuation Fund.

7. A company which Keith Goss has a beneficial interest.

8. A Company which Trevor Moyle has a beneficial interest.

Details of share holdings in the Company are set out in note 21 d) to the financial statements.

Directors' report (continued)

Meetings

| Directors | Board meetings | | Audit Committee meetings | | Remuneration & Nomination Committee meetings | |
|--------------------|--------------------|-----------------|--------------------------|----------------|--|----------------|
| | Eligible to Attend | Attended | Eligible to Attend | Attended | Eligible to Attend | Attended |
| Roger Mason | 12 | 12 | 3 | 3 | 4 | 4 |
| Roger Moore | 12 | 12 | 3 | 3 | 4 | 4 |
| Arthur Lagos | 12 | 12 | 3 | 3 | 4 | 4 |
| Frank Licciardello | 4 | 12 ¹ | 0 | 3 ² | 0 | 4 ³ |
| Trevor Moyle | - | - | - | - | - | - |
| Keith Goss | - | - | - | - | - | - |

1. F Licciardello attended 8 of the 12 Board Meetings in an ex-officio capacity.

2. F Licciardello attended the Audit Committee Meetings in an ex-officio capacity.

3. F Licciardello attended the Remuneration & Nomination Committee Meetings in an ex-officio capacity.

Options

Details of options in the Company are set out in notes 21 d) and 30 a) to the financial statements.

Directors' interest in contracts

At the date of this report, there were no Directors' interests in contracts.

Meetings

The table above sets out the number of meetings held during the financial year and the number of meetings attended by each Director.

Principal activities

The principal activities of Sirius during the course of the financial year were the provision of managed services, being business communication solutions, facilities

management, the provision of contract resources and communication consultancy, and the development and supply of voice and data-billing solutions.

Operating result

The profit after providing for income tax for Sirius Telecommunications Limited and its controlled entities on a consolidated basis for the year ended 30 June 2007 was \$1,022,000 (2006: Loss \$1,527,000). The profit after providing for income tax for Sirius Telecommunications Limited as the parent entity for the year ended 30 June 2007 was \$569,000 (2006: Loss \$1,290,000).

Dividends

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

Significant changes in the state of affairs

During the financial year Sirius Telecommunications divested the Sirius Converged Solutions (SCS) non-performing business unit. This division provided IP Telephony services and solutions to large corporates in Australia.

Review of operations and likely developments

A review of operations and the likely developments of the Company are contained within the Chairman and Managing Director's Letter.

Events subsequent to balance date

On 22 June 2007 Sirius executed a share sale agreement for the 100% purchase of the issued capital of IFMA Pty Ltd (InfoMaster). InfoMaster provides innovative software and consulting services to local

and state government and large corporates. InfoMaster provides specialist solutions for Asset management, Spatial technologies and e-planning. All software services are based on InfoMaster-owned intellectual property.

In August 2007 the Company completed a rights issue for the issue of 45,907,500 new shares at 5 cents per share. The funds raised were used to complete the purchase of the InfoMaster business and to help fund working capital requirements. The issue was successful and was well supported by the current shareholder base.

On 22 August 2007 the Company completed the purchase of the 100% shares of InfoMaster and the transaction would be effective from 1 July 2007. It is expected that for the next 12 months that InfoMaster will be earnings accretive and cashflow positive and should increase the top line revenue of the Sirius group by a further \$5 million.

The final purchase price paid after final adjustments and set off was \$2,987,368.40. This was well below the price entered into on 22 June 2007 of \$3.2 million. The consideration paid was for \$2,887,368.40 in cash and \$100,000 of scrip. The ANZ Bank have continued to support the Group and has assisted the funding of the acquisition by way of a \$1.1 million bank loan to Sirius.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Environmental regulation

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Remuneration report

The information included under the heading remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report as permitted by Corporations Regulations 2001 2M.6.04 and have been audited as identified in the headings of each section.

Introduction

The Sirius remuneration policy is designed to link the remuneration of the executive directors and senior executives of the Company with company performance.

The executive directors' and senior executives' remuneration during the financial year ended 30 June 2007 was linked to performance through a short-term incentives plan (STI Plan), where individuals are assessed against a combination of quantitative and qualitative measures of performance over the past year. Use of the STI Plan is expected to continue into subsequent financial years to reward key management personnel's annual performance.

Commencing from the financial year ended 30 June 2007 onwards, we have adopted a long-term incentives plan (LTI Plan), which through the use of performance rights, all of which have long-term performance measures, ensure the rights can only be exercised when the Company achieves previously set targets.

The non-executive directors' remuneration is not linked to short-term performance, as the focus of the Board is on governance and the longer-term strategic direction of the Company.

In this report we explain the policy and structure of the remuneration of:

- (a)** Directors; and
- (b)** Other Key Management Personnel.

Directors' report (continued)

Each section includes an explanation of how the remuneration is calculated as well as a table showing actual figures. For the purpose of this report key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the group.

Non-executive directors (Audited)

Non-executive directors are remunerated with fees that are not linked to performance, to preserve their independence, except through their participation in long term incentive plans. The total fee pool is approved by shareholders.

Our non-executive directors are remunerated in accordance with the Sirius Constitution, which provides for the following:

- An aggregate limit of fees is set and varied only by approval of a resolution of shareholders at the annual general meeting; and
- The Board determines how those fees are allocated among the directors within the fee pool.

The total fees paid to non-executive directors for the 2006/2007 financial year are set out in the table on page 27.

The current fee pool of \$300,000 is fixed by the Company's Constitution unless shareholder approval is given to an alternative amount. To date the amount remains unchanged. Non-executive directors receive total fees based on their respective roles on the Board.

Non-executive directors are not remunerated for their participation in Board committees.

In order to maintain their independence and impartiality, the remuneration of non-executive directors is not linked to the performance of the Company, except through their participation in long-term incentive plans.

Share options and equity compensation

Subsequent to the Annual General Meeting held on 21 November 2006 and resolution 4.3, a total amount of 200,000 share options excisable at 6 cents were granted to non-executive directors during the financial year ending 30 June 2007. From that date to the date of this report, no new share options were granted to non-executive directors.

Superannuation

Mandatory superannuation contributions are included as part of each director's total remuneration package and directors may state a preference to increase the

proportion of their package taken as superannuation contributions subject to legislative requirements.

Other benefits

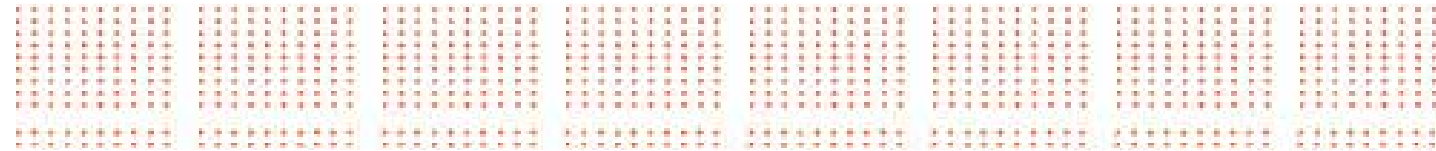
In accordance with Board policy, as permitted under Rule 7.3 of our Constitution, directors also receive reimbursement for reasonable travelling, accommodation and other expenses incurred in travelling to or from meetings of the Board or committees, or when otherwise engaged on the business of the Company.

Retirement benefits

Under service agreements with the Company, non-executive directors are entitled to payment of one month's director's fees plus superannuation entitlement should they retire less than one year from commencement. After one year, up to a period of five years from their initial appointment, they are entitled to a payment of three months' directors' fees plus superannuation entitlement upon retirement. After five years from initial appointment, non-executive directors become entitled to payment of one years' director's fees plus superannuation entitlement upon retirement.

Executive directors (Audited)

Executive directors are not paid directors' fees in addition to their salary and entitlements.



Other Key Management Personnel (Audited) Remuneration policy

The Remuneration and Nomination Committee regularly reviews the strategy, structure and policy for other key management personnel remuneration.

Responsibility for reviewing and recommending to the Board the remuneration strategy and structure for Sirius' other key management personnel lies with the Remuneration and Nomination Committee.

The Committee's policy is that other key management personnel remuneration should:

- Reflect the size and scope of the role and be market competitive in order to attract and retain talent;
- Be linked to the financial and operational performance of the Company;
- Be aligned with the achievement of the Company's long-term business objectives; and
- Be differentiated based on individual performance.

The Committee reviews the structure of the remuneration packages of the other key management personnel on a periodic basis and takes into account:

- Salary and employment market movements; and
- Company performance.

Any decision made by the Remuneration and Nomination Committee concerning an individual personnel's remuneration is made without that person being present.

Remuneration structure 2006/07
For the 2006/07 financial year, there are three main components to the remuneration structure.

The remuneration structure of other key management personnel consisted of:

- Fixed remuneration.
- Short-term incentive.
- Long-term incentive.

Fixed remuneration

Fixed remuneration is made up of a guaranteed salary (including salary sacrifice benefits and any applicable fringe benefits tax) and superannuation. An individual's fixed remuneration is generally set once a year as part of the Company-wide remuneration review.

The Company contributes to the other key management personnel's superannuation in accordance with the superannuation guarantee legislation. They may increase the proportion of their fixed remuneration

taken as superannuation, subject to legislative requirements.

Short-term incentive

The short-term incentive plan rewards other key management personnel for meeting or exceeding specific annual business objectives linked to the annual business plan at the Company, business unit and individual level.

Measures and targeted achievement levels are reviewed each year to reflect changes in business priorities for the forthcoming year.

The short-term incentive plan is based on a range of Company financial, organisational and individual performance measures and targets and was approved by the Board.

The value received under the short-term incentive is delivered in cash as a "bonus".

The short-term incentive plan applies only to other key management personnel and executive directors named below with the exception of the Company Secretary.

The bonus is payable to each of the indicated other key management personnel and executive directors on meeting pre-determined targets as approved by the Board for EBITDA in the first and second halves of the financial year. The bonus is split between those individual periods

Directors' report (continued)

on the basis of 30% and 60%, with each payment being treated as a separate and individual bonus. The potential bonus payments, in total for any particular individual, may range between 30% and 60% of base salary.

Long-term incentive

From financial year 2006/07, key management personnel have been invited to participate in the long-term incentive plan, which is designed to reward the delivery of shareholder returns over a three to five year period.

The long-term incentive plan will involve the issue of share options under the Company's Employee Options Plan, generally with vesting criteria subject to various performance hurdles based on Company and share price performance over a two year period. The Board has discretion as to the performance hurdles that are attached to a grant of employee options, and acts under recommendation from the Remuneration and Nomination Committee.

Details of key management personnel (audited)

Details of the remuneration of the directors and other key management personnel (as defined in AASB 124 Related Party Disclosures) of Sirius Telecommunications Limited the consolidated entity are set out in the following tables.

The key management personnel of Sirius Telecommunications Limited the consolidated entity includes the directors as per pages 12 to 13 and the following executive officers that report directly to the managing director and having authority and responsibility for planning, directing and controlling the activities of the group.

Service Agreements

Remuneration and other forms of employment for directors and other key management personnel are formalised in service agreements. The major provisions of the agreements relating to remuneration are as follows:

- Term of agreement
- Remuneration review by Remuneration and Nominations Committee
- Termination benefit on early termination by the employer other than for gross misconduct

Directors and Officers liability insurance

The directors and other key management personnel of Sirius Telecommunications Limited and its controlled entities are indemnified through appropriate insurance cover. This insurance has been excluded from directors and other key management personnel remuneration. Directors' and other key management personnel remuneration excludes insurance premiums of \$46,505 paid by the parent

entity in respect of directors' and officers' liability insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to insurance contracts is set out in the directors' report.

Indemnification of directors and officers

During the financial year, Sirius Telecommunications Limited paid a premium of \$46,505 to insure all Directors and Officers (including employees) of the Company against legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity.

Non-audit services

The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

→ The nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

The following fees for non-audit services were paid/payable to the external auditor during the year ended 30 June 2007:

- Taxation Services: \$28,655.
- Due Diligence Services: \$92,840.

Details of key management personnel (audited)

| 2007 | Short-term benefits | | | Termination Payments | Post-employment benefits | Other-long term benefits | Share-based payments | Total |
|---|----------------------------|-----------------|-------------------|----------------------|--------------------------|--------------------------|----------------------|------------------|
| | Cash, salary & commissions | Bonus | Non-cash benefits | | Super-annuation | | | |
| Directors | | | | | | | | |
| <i>Directors of Sirius Telecommunications Limited</i> | | | | | | | | |
| F Licciardello* | 263,779 | 20,000 | - | - | - | - | 12,143 | \$295,922 |
| R Mason | 75,120 | - | - | - | 6,660 | - | - | \$81,780 |
| R Moore | 35,000 | - | - | - | - | - | - | \$35,000 |
| A Lagos | - | - | - | - | 35,000 | - | 2,429 | \$37,429 |
| T Currie^ | - | - | - | 56,409 | - | - | - | \$56,409 |
| T Moyle | - | - | - | - | - | - | - | - |
| K Goss | - | - | - | - | - | - | - | - |
| <i>Other key management personnel of the Group</i> | | | | | | | | |
| G Eldred** | 133,664 | 8,000 | - | - | 4,001 | - | - | \$145,665 |
| B Hilton~ | 113,365 | - | - | - | - | - | - | \$113,365 |
| J Rackham# | - | - | - | 60,109 | 3,030 | - | - | \$63,139 |
| | \$620,928 | \$28,000 | - | \$116,518 | \$48,691 | - | \$14,572 | \$828,709 |

* Frank Licciardello was appointed a Director on 14 March 2007. Before this appointment he was the Group's Chief Executive Officer. Amounts shown above include all of Frank Licciardello's remuneration during the reporting period, whether as a Director or as the Chief Executive Officer. Amounts received in his position as a Managing Director amounted to \$73,779 (from 14/03/07 to 30/06/07).

^ Tracy Currie was a Director until her resignation on 28 February 2006. She received a termination payment during the year ended 30 June 2007.

** Greg Eldred was employed as General Manager, Sirius Converged Solutions from 1 July 2006 to 30 September 2006. He left and then re-joined Sirius and was appointed General Manager of Phoneware 9 February 2007.

~ Breck Hilton was employed as General Manager, Phoneware until he changed positions to Sales Manager on 9 February 2007 and subsequently resigned from his position on 4 April 2007.

Jon Rackham was an Executive of the Group until his resignation on 2 June 2006. He received a termination payment during the year ended 30 June 2007.

Directors' report (continued)

Details of key management personnel (audited)

| 2006 | Short-term benefits | | | Termination Payments | Post-employment benefits | Other-long term benefits | Share-based payments | Total |
|---|----------------------------|-----------------|-------------------|----------------------|--------------------------|--------------------------|----------------------|--------------------|
| | Cash, salary & commissions | Bonus | Non-cash benefits | | Super-annuation | | | |
| Directors | | | | | | | | |
| <i>Directors of Sirius Telecommunications Limited</i> | | | | | | | | |
| R Mason | 74,246 | - | - | - | 6,660 | - | - | 80,906 |
| R Moore* | 10,769 | - | - | - | - | - | - | 10,769 |
| A Lagos* | - | - | - | - | 10,769 | - | - | 10,769 |
| T Currie^ | 139,171 | 9,000 | - | 58,925 | 13,113 | - | - | 220,209 |
| D Abraham^ | 33,462 | - | - | 50,000 | 7,512 | - | - | 90,974 |
| G Ward^ | 23,827 | - | - | 35,000 | 5,294 | - | - | 64,121 |
| <i>Other key management personnel of the Group</i> | | | | | | | | |
| F Licciardello ~ | 69,575 | - | - | - | - | - | - | 69,575 |
| B Hilton # | 71,500 | - | - | - | - | - | - | 71,500 |
| D Kucera + | 117,286 | 654 | - | 60,388 | 15,542 | - | - | 193,870 |
| S Frankenfeld`` | 158,143 | 15,333 | - | 40,074 | 13,985 | - | - | 227,535 |
| J Rackham** | 168,303 | 6,000 | - | 43,335 | 14,911 | - | - | 232,549 |
| | \$866,282 | \$30,987 | - | \$287,722 | \$87,786 | - | - | \$1,272,777 |

* Roger Moore and Arthur Lagos were appointed Directors from 1 March 2006.

^ Tracy Currie, David Abraham and Graham Ward resigned as Directors on 28 February 2006.

~ Frank Licciardello was appointed Chief Financial Officer on 1 March 2006.

Breck Hilton was appointed General Manager, Phoneware, on 1 March 2006.

+ Dominik Kucera resigned from his position as Chief Financial Officer on 31 March 2006.

`` Siegmund Frankenfeld resigned from his position as Chief Executive Officer on 31 March 2006.

** Jon Rackham was an Executive of the Group until his resignation on 2 June 2006.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001, is set out on page 29.

Signed in accordance with a resolution of the Board of Directors



Roger Mason, Chairman
Melbourne 26 September 2007



Francesco (Frank) Licciardello, Managing Director
Melbourne 26 September 2007

Auditor's independence declaration

RSM Bird Cameron Partners
Chartered Accountants

Level 8 Rialto Six/7 Tower
225 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 3007
T +61 3 9296 1900 F +61 3 9296 1555
www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Sirius Telecommunications 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:

- the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants


Jason Croall
J S CROALL
Partner

26 September, 2007
Melbourne

Jointly listed by a
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Financial Report

This financial report covers both Sirius Telecommunications Limited as an individual entity and the consolidated entity consisting of Sirius Telecommunications Limited and its controlled entities.

Sirius Telecommunications Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Sirius Telecommunications Limited
Level 8, 616 St Kilda Road Melbourne
Victoria 3004 Australia

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities on pages 2 to 11 and in the Directors' report on pages 22 to 27

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Independent Audit Report

RSM Bird Cameron Partners Chartered Accountants

Level 6 Rialto South Tower
525 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 3007
T +61 3 9298 1800 F +61 3 9298 1899
www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIRIUS TELECOMMUNICATIONS LIMITED

We have audited the accompanying financial report of Sirius Telecommunications Limited ("the company"), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement 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.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 23 to 28 of the directors' report and not in the financial report.

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 1, 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 financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

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. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

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Independent Audit report

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 and the remuneration disclosures contained in the directors' report.

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

Independence

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 Sirius Telecommunications Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 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; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Auditor's Opinion on the AASB 124 remuneration Disclosures Contained in the Directors' Report

In our opinion the remuneration disclosures that are contained in pages 23 to 28 of the directors' report comply with Accounting Standard AASB 124.


RSM BIRD CAMERON PARTNERS
Chartered Accountants


J S CROALL
Partner

Melbourne, Victoria
Dated: 26 September 2007

Directors' declaration

The Directors declare that:

1. The financial statements and notes set out on pages 34 to 65, are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the financial year ended on that date of the Company and consolidated entity;
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
3. The audited remuneration disclosures set out on pages 23 to 28 of the Directors' Report comply with the Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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



Roger Mason, Chairman
Melbourne 26 September 2007



Francesco (Frank) Licciardello,
Managing Director
Melbourne 26 September 2007

Income Statement

Income Statement for the year ended 30 June 2007

| | Notes | Consolidated | | Parent entity | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Revenue from continuing operations | 5 | 8,708 | 7,336 | 4,898 | 2,909 |
| Cost of goods sold | | (2,021) | (320) | (1,495) | (22) |
| Facilities management operational leases | | (328) | (163) | (202) | (280) |
| Telecommunication carrier costs | | (337) | (256) | (223) | (241) |
| Employee benefits and related expenses | | (4,640) | (5,157) | (2,354) | (1,995) |
| Occupancy expenses | | (546) | (772) | (452) | (720) |
| Travel, accommodation & entertainment | | (186) | (208) | (79) | (40) |
| Professional Fees - (non Director related) | | (227) | (220) | (203) | (122) |
| Insurance | | (143) | (190) | (144) | (156) |
| Finance costs | 6 | (29) | (30) | (14) | (21) |
| Other expenses from operating activities | | (262) | (859) | (334) | (38) |
| Marketing | | (82) | - | (17) | - |
| Depreciation and amortisation expenses | 6 | (436) | (679) | (363) | (555) |
| Provision for diminution of assets | | - | - | - | - |
| Profit (loss) from continuing operations before income tax expense | | (529) | (1,518) | (982) | (1,281) |
| Income tax benefit/(expense) | 7 | 820 | (9) | 820 | (9) |
| Profit (loss) from continuing operations | | 291 | (1,527) | (162) | (1,290) |
| Profit (loss) from discontinued operations | 25 | 731 | - | 731 | - |
| Net profit (loss) attributable to members of Sirius Telecommunications Limited | | 1,022 | (1,527) | 569 | (1,290) |
| Total changes in equity other than those resulting from transactions with owners as owners | 19 | 1,022 | (1,527) | 569 | (1,290) |

Balance Sheet

Balance Sheet as at 30 June 2007

| | Notes | Consolidated | | Parent entity | |
|---|--------|----------------|----------------|----------------|----------------|
| | | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Current Assets | | | | | |
| Cash and Cash Equivalents | 8 | 166 | 214 | 65 | 61 |
| Trade and Other Receivables | 9 | 1,193 | 2,319 | 342 | 1,566 |
| Inventories | 10 | 83 | 59 | - | - |
| Other | 11 | 211 | 241 | 104 | 208 |
| Assets classified as held for sale | 25 | - | 817 | - | 817 |
| Total Current Assets | | 1,653 | 3,650 | 511 | 2,652 |
| Non Current Assets | | | | | |
| Tax Assets | 12 | 820 | - | 820 | - |
| Property Plant & Equipment | 13 | 824 | 573 | 668 | 405 |
| Intangible Assets | 14 | 513 | - | 369 | - |
| Total Non Current Assets | | 2,157 | 573 | 1,857 | 405 |
| TOTAL ASSETS | | 3,810 | 4,223 | 2,368 | 3,057 |
| Current Liabilities | | | | | |
| Trade and Other Payables | 15 | 1,344 | 2,266 | 968 | 1,721 |
| Other | 16 | 775 | 784 | 12 | - |
| Liabilities classified as held for sale | 25 | - | 486 | - | 486 |
| Total Current Liabilities | | 2,119 | 3,536 | 980 | 2,207 |
| Non Current Liabilities | | | | | |
| Provisions | 17 | 173 | 205 | 160 | 205 |
| Total Non Current Liabilities | | 173 | 205 | 160 | 205 |
| TOTAL LIABILITIES | | 2,292 | 3,741 | 1,140 | 2,412 |
| NET ASSETS | | 1,518 | 482 | 1,228 | 645 |
| Equity | | | | | |
| Contributed Equity | 18 (a) | 7,779 | 7,779 | 7,779 | 7,779 |
| Accumulated Losses | 19 | (6,275) | (7,297) | (6,565) | (7,134) |
| Reserves | | 14 | - | 14 | - |
| TOTAL EQUITY | | 1,518 | 482 | 1,228 | 645 |

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

Statement of Changes in Equity

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

| | Consolidated | | Parent entity | |
|--|--------------|---------|---------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Total equity at the beginning of the financial year | 482 | 2,009 | 645 | 1,935 |
| Profit/(Loss) for the financial year | 1,022 | (1,527) | 569 | (1,290) |
| Reserves | 14 | - | 14 | - |
| Total equity at the end of the financial year | 1,518 | 482 | 1,228 | 645 |

Cash Flow Statement

Cash Flow Statement for the year ended 30 June 2007

| | Notes | Consolidated | | Parent entity | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Cash flows from operating activities | | | | | |
| Receipts from customers (inclusive of GST) | | 10,244 | 19,598 | 6,468 | 14,675 |
| Payments to suppliers and employees (inclusive of GST) | | (10,878) | (19,028) | (7,217) | (14,068) |
| | | (634) | 570 | (749) | 607 |
| Interest received | 5 | 17 | 6 | 15 | 6 |
| Finance costs | 6 | (29) | (30) | (14) | (21) |
| Income taxes paid | | - | (9) | - | (9) |
| Net cash inflow/(outflow) from operating activities | 28 | (646) | 537 | (748) | 583 |
| Cash flows from investing activities | | | | | |
| Payment of pre-acquisition costs | | (311) | - | (311) | - |
| Proceeds from sale of discontinued operations | 25(d) | 1,119 | - | 1,119 | - |
| Payments for development costs | | (135) | - | - | - |
| Payments for property plant and equipment | | (75) | (211) | (56) | (155) |
| Net cash inflow/(outflow) from investing activities | | 598 | (211) | 752 | (155) |
| Cash flows from financing activities | | | | | |
| Repayment of borrowings | | - | (850) | - | (850) |
| Net cash inflow/(outflow) from financing activities | | - | (850) | - | (850) |
| Net increase/(decrease) in cash held | | (48) | (524) | 4 | (422) |
| Cash at the beginning of the financial year | | 214 | 738 | 61 | 483 |
| Cash at the end of the financial year | 8 | 166 | 214 | 65 | 61 |

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

Notes to the financial statements 30 June 2007

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Sirius Telecommunications Limited as an individual entity and the consolidated entity consisting of all entities that Sirius Telecommunications Limited controlled from time to time during the year and at balance date.

(a) Basis of preparation

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

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Sirius Telecommunications Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sirius Telecommunications Limited ("Company" or "parent entity") as at 30 June 2007 and the results of all subsidiaries for the year then ended. Sirius Telecommunications Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Sirius Telecommunications Limited.

(c) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Notes to the financial statements 30 June 2007

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future tax profits will be available to utilise those temporary differences and losses.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Sirius Telecommunications Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2005. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The expected useful lives of plant and equipment ranges from 3 to 15 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Notes to the financial statements 30 June 2007

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(g) Impairment of Assets

The group reviews the carrying values of its tangible and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This assessment is carried out at least annually. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(h) Intangibles

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when it is probable that the project will be a success considering its commercial and technical feasibility, and accordingly generate future economic benefits, and its costs can be measured reliably.

Development costs have a finite life and, where capitalised, are amortised from the point at which the asset is ready for use on a straight line basis over its useful life.

(i) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions to the employee superannuation plan are charged as expenses as the contributions are paid or become payable.

Notes to the financial statements 30 June 2007

(iv) Share-based payments

Share based compensation benefits are provided to employees via the Sirius Telecommunications Limited Employee Option Plan and an employee share scheme. Information relating to these schemes is set out in note 30.

The fair value of options granted under the Sirius Telecommunications Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

(j) Non-current Assets (or Disposal Groups) Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business and is part of a single co-ordinated plan to dispose of such a line of business. The results of the discontinued operations are presented separately on the face of the income statement.

(k) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of resources will result and the amount can be reliably measured.

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

Notes to the financial statements 30 June 2007

(o) Trade and Other Payables

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

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Comparative Amounts

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Rounding of Amounts

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

(s) New standards and interpretations issued but not yet effective

At the date of this financial report AASB 7, AASB 2005-10, AASB 101, AASB 123, AASB 2007-6, AASB 2007-4, AASB 2007-7, AASB 2007-5, Interpretation 12 and AASB 2007-2 which may impact the entity in the period of initial application, have been issued but are not yet effective. These new standards and interpretations have not been applied in the preparation of this financial report. Other than changes to disclosure formats, it is not expected that the initial application of these new standards and interpretations in the future will have any material impact.

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks; market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Board of Directors under policies approved by them. The Board identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Notes to the financial statements 30 June 2007

2. Financial Risk Management (continued)

(ii) Fair value interest rate risk

Refer to (d) below

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Interest rate risk exposure

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods for each class of financial asset or liability is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

| 2007 | Floating interest rate \$'000 | 1 year or less \$'000 | Over 1 to 5 years \$'000 | Non Interest Bearing \$'000 | Total \$'000 |
|------------------------------------|-------------------------------------|-----------------------------|--------------------------------|-----------------------------------|-----------------|
| Financial assets | | | | | |
| Cash and deposits | 166 | - | - | - | 166 |
| Current receivables | - | - | - | 1,193 | 1,193 |
| Weighted average interest rate | 6.25% | | | | |
| Financial liabilities | | | | | |
| Trade payables | - | - | - | 1,011 | 1,011 |
| Borrowings | - | - | - | - | - |
| Weighted average interest rate | | | | 1,011 | 1,011 |
| Net financial assets (liabilities) | 166 | - | - | 182 | 348 |

Notes to the financial statements 30 June 2007

2. Financial Risk Management (continued)

Interest rate risk exposure (continued)

| 2006 | Floating interest rate | 1 year or less | Over 1 to 5 years | Non Interest Bearing | Total |
|------------------------------------|---------------------------|-------------------|----------------------|-------------------------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | | |
| Cash and deposits | 214 | - | - | - | 214 |
| Current receivables | - | - | - | 2,319 | 2,319 |
| | 214 | - | - | 2,319 | 2,533 |
| Weighted average interest rate | 5.50% | | | | |
| Financial liabilities | | | | | |
| Trade payables | - | - | - | 1,789 | 1,789 |
| Borrowings | - | - | - | - | - |
| | - | - | - | 1,789 | 1,789 |
| Weighted average interest rate | | | | | |
| Net financial assets (liabilities) | 214 | - | - | 530 | 744 |

Net fair value of financial assets and liabilities

On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

3. Critical Accounting Estimates and Judgements

Deferred software development costs

The Group applies AASB 138 Intangible Assets in determining the appropriateness of the carrying value of the deferred software development costs balance. This determination requires significant judgement. In making this judgement, the Group considers the probability that future economic benefits attributable to the asset will flow to the entity. In particular the entity considers the potential existence of a market for the product, future sales forecasts and changes in technology.

In the event that the carrying value is considered to exceed its recoverable amount, an impairment loss is recognised immediately.

Notes to the financial statements 30 June 2007

4. 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.

5. Revenue

| | Consolidated | | Parent entity | |
|--|---------------|--------|---------------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | | | | |
| Sales of goods | 428 | 914 | 295 | 292 |
| Services | 8,263 | 6,416 | 4,588 | 2,617 |
| | 8,691 | 7,330 | 4,883 | 2,909 |
| Other Revenue | | | | |
| Interest received | 17 | 6 | 15 | 6 |
| Revenue from continuing operations | 8,708 | 7,336 | 4,898 | 2,915 |
| Revenue from discontinuing operations | 1,357 | 8,825 | 1,357 | 8,825 |
| Total Revenue | 10,065 | 16,161 | 6,255 | 11,740 |

Notes to the financial statements 30 June 2007

6. Operating profit (loss)

Net profit (loss) and expenses

Profit (loss) before income tax includes the following specific expenses:

| | Consolidated | | Parent entity | |
|---|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Depreciation | | | | |
| Plant and equipment | 413 | 815 | 341 | 739 |
| Amortisation | | | | |
| Leasehold improvements | 5 | 5 | 4 | 5 |
| Plant and equipment under finance lease | 18 | 12 | 18 | 12 |
| Deferred software development | - | - | - | - |
| Total amortisation | 23 | 17 | 22 | 17 |
| Other charges against assets | | | | |
| Bad and doubtful debts | 15 | 78 | - | 62 |
| Provision for the diminution of asset carrying values | - | - | - | - |
| | 15 | 78 | - | 62 |
| Net loss on disposal of fixed assets | 107 | 390 | 107 | 390 |
| Finance costs | | | | |
| Interest and finance charges paid/payable | 29 | 30 | 14 | 21 |
| Rental expense relating to operating leases | | | | |
| Minimum lease payments | 874 | 1,148 | 658 | 988 |

Notes to the financial statements 30 June 2007

7. Income Tax

| | Consolidated | | Parent entity | |
|--|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| (a) The income tax (benefit)/expense for the financial year differs from the amount calculated on the profit/(loss). | | | | |
| Reconciliation between income tax expense and prima facie tax on accounting profit/(loss) | | | | |
| Profit/(loss) before income tax | 202 | (1,518) | (251) | (1,281) |
| Income tax (benefit)/expense calculated at 30% (2006: 30%) | 61 | (455) | (75) | (384) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income | - | 15 | - | - |
| Deferred tax asset not previously brought to account | - | 449 | - | 383 |
| Deferred tax asset on taxable losses now brought to account | (691) | - | (691) | - |
| Deferred tax asset on temporary differences now recouped | (190) | - | (54) | - |
| Income tax (benefit)/expense attributable to profit | (820) | 9 | (820) | 9 |
| Deferred tax assets | | | | |
| Prior year losses not previously recognised and available to be offset against future taxable income | 691 | - | 691 | - |
| Temporary differences | 190 | - | 54 | - |
| | 881 | - | 881 | - |

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

The deferred tax asset relating to the tax losses and timing differences will only be obtained if:

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

Notes to the financial statements 30 June 2007

8. Current assets – Cash and Cash Equivalents

| | Consolidated | | Parent entity | |
|--------------------------|--------------|--------|---------------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash at bank and on hand | 166 | 214 | 65 | 61 |

9. Current assets – Trade and Other Receivables

| | | | | |
|-----------------------------------|-------|-------|-----|-------|
| Trade debtors | 1,213 | 2,458 | 342 | 1,672 |
| Less Provision for doubtful debts | (20) | (139) | - | (106) |
| | 1,193 | 2,319 | 342 | 1,566 |

10. Current assets – Inventories

| | | | | |
|------------------------------------|----|----|---|---|
| Raw materials and stores - at cost | 83 | 59 | - | - |
|------------------------------------|----|----|---|---|

11. Current assets – Others

| | | | | |
|----------------|-----|-----|-----|-----|
| Deposits | 7 | - | 7 | - |
| Prepayments | 110 | 180 | 34 | 147 |
| Accrued Income | 54 | 21 | 23 | 21 |
| Sundry Debtors | 40 | 40 | 40 | 40 |
| | 211 | 241 | 104 | 208 |

The deposits are non-interest bearing

12. Non-current assets – Tax assets

| | | | | |
|--------------------|-----|---|-----|---|
| Deffered Tax Asset | 820 | - | 820 | - |
|--------------------|-----|---|-----|---|

Notes to the financial statements 30 June 2007

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

| | Consolidated | | Parent entity | |
|---|--------------|---------|---------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Leasehold improvements | | | | |
| At cost | 89 | 18 | 18 | 18 |
| Less: Accumulated amortisation | (14) | (9) | (13) | (9) |
| Total leasehold improvements | 75 | 9 | 5 | 9 |
| Plant and equipment | | | | |
| At cost | 4,886 | 2,906 | 4,225 | 2,228 |
| Less: Accumulated depreciation | (4,137) | (2,360) | (3,562) | (1,850) |
| | 749 | 546 | 663 | 378 |
| Plant and equipment under finance lease | 311 | 311 | 311 | 311 |
| Less: Accumulated amortisation | (311) | (293) | (311) | (293) |
| | - | 18 | - | 18 |
| Total plant and equipment | 749 | 564 | 663 | 396 |
| | 824 | 573 | 668 | 405 |

Reconciliations

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

| | Leasehold Improve- ments | Plant and equipment | Plant and equipment under lease | Total |
|-------------------------------------|--------------------------------|------------------------|---------------------------------------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Consolidated | | | | |
| Carrying amount at 1 July 2006 | 9 | 546 | 18 | 573 |
| Net additions / (reductions) | 71 | 616 | - | 687 |
| Depreciation / amortisation expense | (5) | (413) | (18) | (436) |
| Carrying amount at 30 June 2007 | 75 | 749 | - | 824 |

Notes to the financial statements 30 June 2007

13. Non-current assets – Property, plant and equipment (continued)

| | Leasehold Improve- ments | Plant and equipment | Plant and equipment under lease | Total |
|-------------------------------------|--------------------------------|------------------------|---------------------------------------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Consolidated | | | | |
| Carrying amount at 1 July 2005 | 13 | 2,142 | 30 | 2,185 |
| Net additions / (reductions) | 1 | (159) | - | (158) |
| Discontinued operations | - | (622) | - | (622) |
| Depreciation / amortisation expense | (5) | (815) | (12) | (832) |
| Carrying amount at 30 June 2006 | 9 | 546 | 18 | 573 |
| Parent Entity | | | | |
| Carrying amount at 1 July 2006 | 9 | 378 | 18 | 405 |
| Net additions / (reductions) | - | 626 | - | 626 |
| Depreciation / amortisation expense | (4) | (341) | (18) | (363) |
| Carrying amount at 30 June 2007 | 5 | 663 | - | 668 |
| Parent Entity | | | | |
| Carrying amount at 1 July 2005 | 13 | 1,945 | 30 | 1,988 |
| Net additions / (reductions) | 1 | (206) | - | (205) |
| Discontinued operations | - | (622) | - | (622) |
| Depreciation / amortisation expense | (5) | (739) | (12) | (756) |
| Carrying amount at 30 June 2006 | 9 | 378 | 18 | 405 |

Notes to the financial statements 30 June 2007

14. Non-current assets – Intangible assets

| | Consolidated | | Parent entity | |
|--------------------------------|--------------|--------|---------------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Capitalised Acquisition Costs | 369 | - | 369 | - |
| Less: Accumulated amortisation | - | - | - | - |
| | 369 | - | 369 | - |
| Deferred software development | 144 | - | - | - |
| Less: Accumulated amortisation | - | - | - | - |
| | 144 | - | - | - |
| Total Intangible assets | 513 | - | 369 | - |

15. Current liabilities – Trade and Other Payables

| | | | | |
|----------------|-------|-------|-----|-------|
| Trade payables | 1,011 | 1,789 | 659 | 1,428 |
| Other payables | 333 | 477 | 309 | 293 |
| | 1,344 | 2,266 | 968 | 1,721 |

16. Current liabilities – Other

| | | | | |
|-------------------|-----|-----|----|---|
| Income in advance | 775 | 784 | 12 | - |
|-------------------|-----|-----|----|---|

17. Non-current liabilities – Provisions

| | | | | |
|--|-----|-----|-----|-----|
| Employee benefits - long service leave | 173 | 205 | 160 | 205 |
|--|-----|-----|-----|-----|

Notes to the financial statements 30 June 2007

18. Contributed Equity

| | Consolidated | | Parent entity | |
|---------------------------|--------------|--------|---------------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| a) Ordinary Shares | | | | |
| Fully Paid | 7,779 | 7,779 | 7,779 | 7,779 |

b) Movements in ordinary share capital

| Details | Date | Number of shares | Issue price | \$ |
|---------------------------------|--------------|------------------|-------------|-----------|
| Opening balance - issued shares | 1 July 2006 | 45,907,500 | | 7,779,253 |
| Additions / Reductions | | - | - | - |
| Balance - issued shares | 30 June 2007 | 45,907,500 | | 7,779,253 |

c) Ordinary Shares

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

On a show of hands every holder of an issued ordinary share present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

As at 30 June 2007 there were 45,907,500 fully paid shares.

19. Accumulated losses

| | Consolidated | | Parent entity | |
|--|--------------|---------|---------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Accumulated losses at the beginning of the financial year | (7,297) | (5,770) | (7,134) | (5,844) |
| Net profit/(loss) attributable to members of Sirius Telecommunications Limited | 1,022 | (1,527) | 569 | (1,290) |
| Accumulated losses at the end of the financial year | (6,275) | (7,297) | (6,565) | (7,134) |

Notes to the financial statements 30 June 2007

20. Franking credits

| Consolidated | | Parent entity | |
|--------------|--------|---------------|--------|
| 2007 | 2006 | 2007 | 2006 |
| \$'000 | \$'000 | \$'000 | \$'000 |
| 279 | 279 | 279 | 279 |

Franking credits available for subsequent financial years based on a tax rate of 30%

The above amounts represent the balances of the franking account as at the end of the financial period, adjusted for:

- a) franking credits that will arise from the payment of income tax payable as at the end of the period;
- b) franking debits that will arise from the payment of dividends proposed as at the end of the period; and
- c) franking credits that may be prevented from being distributed in the subsequent year.

21. Key management personnel disclosures

a) Directors

The following persons were directors of Sirius Telecommunications Limited during the financial year:

| Name | Position |
|---------------------|--|
| Roger Mason | Chairman - Executive |
| Frank Licciardello* | Managing Director and Joint Company Secretary |
| Roger Moore | Non-executive director and Joint Company Secretary |
| Arthur Lagos | Non-executive director |

* F. Licciardello was Chief Executive Officer until 14 March 2007 at which date he was appointed Managing Director.

b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

| Name | Position |
|----------------|-----------------------------|
| Breck Hilton ~ | General Manager - Phoneware |
| Greg Eldred ^ | General Manager - Phoneware |

~Breck Hilton changed positions from General Manager to Sales Manager on 9 February 2007 & subsequently resigned from his position on 4 April 2007

^ Greg Eldred was appointed General Manager of Phoneware on 9 February 2007 as a contractor.

Notes to the financial statements 30 June 2007

21. Key management personnel disclosures (continued)

b) Other key management personnel (continued)

The following were key management personnel in the year ended 30 June 2006 until their respective resignations:

Dominik Kucera resigned from the position of Chief Financial Officer on 31 March 2006

Siegmund Frankenfeld resigned from the position as Chief Executive Officer on 28 March 2006

Jon Rackham resigned from his position as General Manager on 2 June 2006

Frank Licciadello commenced on a contractual basis as the Chief Financial Officer on 1 March 2006 and was subsequently appointed Chief Executive Officer on 23 August 2006.

| | Consolidated | | Parent | |
|---|--------------|--------------|------------|--------------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| c) Key management personnel compensation | | | | |
| Short-term employee benefits | 649 | 897 | 649 | 897 |
| Termination benefits | 117 | 288 | 117 | 288 |
| Post-employment benefits | 49 | 88 | 49 | 88 |
| Share-based payments | 14 | - | 14 | - |
| | 829 | 1,273 | 829 | 1,273 |

The company has taken advantage of the relief provided by Corporations Regulations 2001 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors Report. The relevant information can be found in the Remuneration Report within the Directors Report.

d) Equity instrument disclosures relating to the key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the Remuneration Report within the Directors' Report.

(ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Sirius Telecommunications Limited and other key management personnel of the Group, including their personally related parties, are set out on the next page.

Notes to the financial statements 30 June 2007

21. Key management personnel disclosures (continued)

| 2007 | Balance 1/7/2006 | Granted during the year as remuneration | Exercised during the year | Other changes during the year** | Balance (Unvested) 30/6/2007 |
|---|---------------------|---|---------------------------------|---------------------------------------|------------------------------------|
| Name | | | | | |
| <i>Directors of Sirius Telecommunications Limited</i> | | | | | |
| F Licciardello (from 14/3/07) | - | 1,000,000 | - | - | 1,000,000 |
| R Mason | - | - | - | - | - |
| R Moore | - | - | - | - | - |
| A Lagos | - | 200,000 | - | - | 200,000 |
| T Currie (to 28/2/06) | 1,341,518 | - | - | (1,341,518) | - |
| <i>Other Key Management Personnel of the Group</i> | | | | | |
| B Hilton (to 04/04/07) | - | - | - | - | - |
| S Frankenfeld (to 28/3/06) | 700,000 | - | - | (700,000) | - |
| D Kucera (to 31/3/06) | 300,000 | - | - | (300,000) | - |
| J Rackham (to 22/5/06) | 300,000 | - | - | (300,000) | - |

**These options were cancelled on 8 August 2006 as a result of the employee's termination from the Group.

| 2006 | Balance 1/7/2005 | Granted during the year as remuneration | Exercised during the year | Other changes during the year | Balance (Unvested) 30/6/2006 |
|---|---------------------|---|---------------------------------|-------------------------------------|------------------------------------|
| Name | | | | | |
| <i>Directors of Sirius Telecommunications Limited</i> | | | | | |
| D Abraham (to 28/2/06) | 150,000 | - | - | (150,000) | - |
| R Mason | 3,907,724 | - | - | (3,907,724) | - |
| T Currie (to 28/2/06) | 1,041,518 | 300,000 | - | - | 1,341,518 |
| G Ward (to 28/2/06) | 150,000 | - | - | (150,000) | - |
| R Moore (from 01/03/06) | - | - | - | - | - |
| A Lagos (from 01/03/06) | - | - | - | - | - |
| <i>Other Key Management Personnel of the Group</i> | | | | | |
| F Licciardello (from 1/03/06) | - | - | - | - | - |
| B Hilton (to 04/04/07) | - | - | - | - | - |
| S Frankenfeld (to 28/3/06) | - | 700,000 | - | - | 700,000 |
| D Kucera (to 31/3/06) | - | 300,000 | - | - | 300,000 |
| J Rackham (to 22/5/06) | - | 300,000 | - | - | 300,000 |

Notes to the financial statements 30 June 2007

21. Key management personnel disclosures (continued)

d) Equity instrument disclosures relating to the key management personnel (continued)

(iii) Share Holdings

The number of shares in the Group held during the financial year by each director of Sirius Telecommunications Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

| 2007 | Balance at the start of the year 01/07/2006 | Received during the year on the exercise of options | Acquired (disposed) during the year | Balance at the end of the year 30/06/2007 |
|---|---|---|-------------------------------------|---|
| Name | | | | |
| <i>Directors of Sirius Telecommunications Limited</i> | | | | |
| F Licciardello (from 14/3/07) | - | - | 956,230 | 956,230 |
| R Mason | 20,566,688 | - | 200,000 | 20,766,688 |
| R Moore | 10,000 | - | 200,000 | 210,000 |
| A Lagos | 1,644,000 | - | - | 1,644,000 |
| D.Abraham (to 28/2/06) | 124,035 | - | - | 124,035 |
| G Ward (to 28/2/06) | 200,000 | - | - | 200,000 |
| T Currie (to 28/2/06) | 3,427,767 | - | (3,427,767) | - |
| <i>Other Key Management Personnel of the Group</i> | | | | |
| S Frankenfeld (to 28/3/06) | 69,800 | - | - | 69,800 |

Notes to the financial statements 30 June 2007

21. Key management personnel disclosures (continued)

d) Equity instrument disclosures relating to the key management personnel (continued)

| 2006 | Balance at the start of the year 1/7/2005 | Received during the year on the exercise of options | Acquired (disposed) during the year | Balance at the end of the year 30/6/2006 |
|---|---|---|-------------------------------------|--|
| Name | | | | |
| <i>Directors of Sirius Telecommunications Limited</i> | | | | |
| R Mason | 19,375,072 | - | 1,191,616 | 20,566,688 |
| R Moore (from 1/3/06) * | 10,000 | - | - | 10,000 |
| A Lagos (from 1/3/06) * | 1,644,000 | - | - | 1,644,000 |
| D.Abraham (to 28/2/06) | 114,035 | - | 10,000 | 124,035 |
| G Ward (to 28/2/06) | 200,000 | - | - | 200,000 |
| T Currie (to 28/2/06) | 3,427,767 | - | - | 3,427,767 |
| <i>Other Key Management Personnel of the Group</i> | | | | |
| F Licciardello (from 1/3/06) | - | - | - | - |
| B Hilton (to 04/04/07) | - | - | - | - |
| D Kucera (to 31/3/06) | 231,863 | - | (231,863) | - |
| S Frankenfeld (to 28/3/06) | 69,800 | - | - | 69,800 |
| J Rackham (to 22/5/06) | - | - | - | - |

* Shareholding was held prior to appointment as a Director.

e) Loans and other transactions with key management personnel

There were no loans or other transactions made with directors of Sirius Telecommunications Limited or other key management personnel of the Group.

Notes to the financial statements 30 June 2007

22. Remuneration of Auditors

| | Consolidated | | Parent entity | |
|--|--------------|--------|---------------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| a) Assurance services | | | | |
| Remuneration for audit or review of the financial reports of the parent entity or any entity in the consolidated entity: | | | | |
| Auditor of the consolidated and parent entity – RSM Bird Cameron Partners | 54,373 | 61,000 | 54,373 | 61,000 |
| | 54,373 | 61,000 | 54,373 | 61,000 |
| b) Taxation services | | | | |
| Auditor of the consolidated and parent entity – RSM Bird Cameron | 28,655 | 30,000 | 28,655 | 30,000 |
| c) Due Diligence/consulting services | | | | |
| Due diligence services for acquisition purposes – RSM Bird Cameron | 92,840 | - | - | - |

23. Commitments for expenditure

| | Consolidated | | Parent entity | |
|---|--------------|--------|---------------|--------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Lease commitments | | | | |
| Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities payable: | | | | |
| Within one year | 607 | 475 | 382 | 475 |
| Later than one year but not later than 5 years | 2,243 | 1,315 | 1,343 | 1,315 |
| | 2,850 | 1,790 | 1,725 | 1,790 |
| Representing: | | | | |
| Non-cancellable operating leases | 2,850 | 1,790 | 1,725 | 1,790 |

Operating leases

The Group leases various offices premises and office equipment under non-cancellable operating leases expiring within one to five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the agreement are renegotiated.

Notes to the financial statements 30 June 2007

24. Related parties

a) Wholly owned group

The wholly-owned group consists of Sirius Telecommunications Limited, Phoneware Communication Systems Pty Limited, Phoneware Australia Pty Limited, UMG Pty Limited, and Phoneware Asia Pte Limited.

Transactions between Sirius Telecommunications Limited and other entities in the wholly-owned group during the year ended 30 June 2007 consisted of non-interest bearing advances to fund working capital requirements.

There were no amounts receivable from, and payable to, other related parties at balance date.

b) Controlling entities

The ultimate parent entity in the wholly owned group is Sirius Telecommunications Limited, a company incorporated in Australia.

c) Subsidiaries

Interests in subsidiaries are set out in note 26.

d) Key management personnel

Disclosures relating to key management personnel are set out in note 21.

Notes to the financial statements 30 June 2007

25. Discontinued operations

a) Description

On 30 September 2006, Sirius Telecommunications Limited disposed of its division, Sirius Converged Solutions, which carried out its IP telephony and unified messaging operations.

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 1 July 2006 to 30 September 2006, being the date of disposal.

| | Consolidated | | Parent entity | |
|---|--------------|---------|---------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue | 1,357 | 8,825 | 1,357 | 8,825 |
| Expenses | (1,683) | (8,825) | (1,683) | (8,825) |
| Profit/(loss) before income tax | (326) | - | (326) | - |
| Income tax expense | - | - | - | - |
| Profit/(loss) after income tax of discontinued operations | (326) | - | (326) | - |
| Gain on sale of division before income tax | 1,057 | - | 1,057 | - |
| Income tax expense | - | - | - | - |
| Gain on sale of division after income tax | 1,057 | - | 1,057 | - |
| Profit/(loss) after income tax of discontinued operations | 731 | - | 731 | - |
| Net cash inflow from operating activities | 277 | 1,343 | 277 | 1,343 |
| Net cash inflow (outflow) from investing activities | 1,119 | (21) | 1,119 | (21) |
| Net cash (outflow) from financing activities | - | (850) | - | (850) |
| Net increase in cash generated by the division | 1,396 | 472 | 1,396 | 472 |

Notes to the financial statements 30 June 2007

25. Discontinued operations (continued)

c) Carrying amount of assets and liabilities

The carrying amounts of assets and liabilities as at 30 September 2006 were:

| | Consolidated | | Parent entity | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2007 \$'000 | 2006 \$'000 | 2007 \$'000 | 2006 \$'000 |
| Inventories | - | 46 | - | 46 |
| Other current assets | - | 149 | - | 149 |
| Property, plant and equipment | 34 | 622 | 34 | 622 |
| Total assets | 34 | 817 | 34 | 817 |
| Other payables | - | 263 | - | 263 |
| Other current liabilities | - | 210 | - | 210 |
| Provision for employee benefits | 23 | 13 | 23 | 13 |
| Total liabilities | 23 | 486 | 23 | 486 |
| Net assets | 11 | 331 | 11 | 331 |

d) Details of the sale of the division

Consideration received or receivable:

| | | | | |
|--|--------------|----------|--------------|----------|
| Cash | 1,200 | - | 1,200 | - |
| Adjustments to purchase price | (81) | - | (81) | - |
| Total assets | 1,119 | - | 1,119 | - |
| Carrying amount of net assets sold | (11) | - | (11) | - |
| Costs associated with sale of division | (51) | - | (51) | - |
| Gain on sale before income tax | 1,057 | - | 1,057 | - |
| Income tax expense | - | - | - | - |
| Gain on sale before after tax | 1,057 | - | 1,057 | - |

Notes to the financial statements 30 June 2007

26. Investments in controlled entities

| Name of entity | Country of incorporation | Class of shares | Equity holding | |
|---|--------------------------|-----------------|----------------|------|
| | | | 2007 | 2006 |
| Phoneware Communication Systems Pty Limited | Australia | Ordinary | 100% | 100% |
| Phoneware Australia Pty Limited | Australia | Ordinary | 100% | 100% |
| UMG Pty Limited | Australia | Ordinary | 100% | 100% |
| Phoneware Asia Pte Limited | Singapore | Ordinary | 100% | 100% |

The investment in UMG Pty Limited is held by Phoneware Communication Systems Pty Limited

27. Economic dependency

One client accounts for 11% of the gross revenue of the consolidated entity or the controlled entities, with the next rated client comprising less than 10% of the gross revenue in the wholly-owned group.

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

| | Consolidated | | Parent entity | |
|---|--------------|---------|---------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating profit (loss) after income tax | 1,022 | (1,527) | 569 | (1,290) |
| Depreciation and amortisation | 436 | 832 | 363 | 756 |
| Gain on disposal of discontinued operations | (1,057) | - | (1,057) | - |
| Loss on sale of fixed assets | 107 | 391 | 107 | 391 |
| Change in operating assets and liabilities | | | | |
| Trade debtors and receivables | 1,126 | 1,827 | 1,224 | 1,773 |
| Inventories | (24) | 352 | - | 296 |
| Other operating assets | 30 | (68) | 104 | 68 |
| Trade payables and other liabilities | (931) | (1,135) | (741) | (1,399) |
| Provision for income taxes payable | - | (9) | - | (9) |
| Other provisions | (32) | (126) | (45) | (3) |
| Net cash inflow (outflow) from operating activities | (646) | 537 | (748) | 583 |

Notes to the financial statements 30 June 2007

29. Earnings per share

| | Consolidated | |
|---|--------------|------------|
| | 2007 | 2006 |
| | Cents | Cents |
| (a) Basic earnings per share | | |
| Profit from continuing operations attributable to the ordinary equity holders of the company | 0.63 | (3.3) |
| Profit from discontinued operation | 1.59 | - |
| Profit attributable to the ordinary equity holders of the company | 2.22 | (3.3) |
| (b) Diluted earnings per share | (i) | (i) |
| (c) Reconciliations of earnings used in calculating earnings per share | | |
| <i>Basic earnings per share</i> | | |
| | 2007 | 2006 |
| | \$'000 | \$'000 |
| Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share | 291 | (1,527) |
| Profit from discontinued operation | 731 | - |
| Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share | 1,022 | (1,527) |
| <i>Diluted earnings per share</i> | (i) | (i) |
| (d) Weighted average number of shares used as the denominator | 2007 | 2006 |
| <i>Weighted average number of shares used as the denominator in calculating basic earnings per share</i> | 45,907,500 | 45,907,500 |
| (i) Not materially different to basic earnings per share | | |

Notes to the financial statements 30 June 2007

30. Share-based payments

a) Employee Option Plan Options as at 30 June 2007

1,200,000 options were granted to eligible executives (directors and executive employees) of Sirius Telecommunications Limited under the Sirius Telecommunications Limited Executive Option Plan on 21 November 2006. These options are not exercisable until 30 June 2008 under certain exercise conditions. As at the date of this report 1,200,000 will remain exercisable.

The details of the options granted are as follows:

| | Option Numbers | Exercise price | Exercisable from (date) | Exercisable to (date) |
|------------------------------|----------------|----------------|-------------------------|-----------------------|
| Options type: | | | | |
| Executive - 21 November 2006 | 1,200,000 | \$0.06 | 30/6/2008 | 31/12/2010 |
| | 1,200,000 | | | |

b) Sirius Telecommunications Limited Employee Share Purchase Plan

A scheme under which shares may be issued by the company at a discount to a weighted average price was approved by the Board under the terms of the constitution of Sirius Telecommunications Limited for a one-off issue in December 2003. Employees meeting the eligibility criteria as to length of service, employment type and seniority were offered individual share parcels based on these criteria. Employees were not required or obliged to take up their allocation. Payment for the shares could be made upfront or by periodical deduction. Shares do not vest fully to the employee until full payment is received.

The weighted average price of shares as determined by the Board at the date of issue was 38 cents. The issue price to employees was 36 cents.

The number of shares issued under the plan was 350,000, of which all are fully paid.

The amount of the discount is recognised as remuneration for each participating specified director and other key management personnel.

31. Events occurring after the balance sheet date

a) Acquisition of IFMA Pty Ltd

On 22 June 2007, Sirius executed a share sale agreement for the 100% purchase of the issued capital of IFMA Pty Ltd (Infomaster). In August 2007 the company completed a rights issue for the issue of 45,907,500 new shares at 5 cents per share. The funds raised were used to complete the purchase of the Infomaster business and to help fund working capital requirements. The issue was successful and was well supported by the current shareholder base. On 22 August 2007 the company completed the purchase of the 100% shares of Infomaster and the transaction would be effective from 1 July 2007.

The final purchase price paid after final adjustments and set off was \$2,987,368. The consideration paid was for \$2,887,368 in cash and \$100,000 of script. As at 31 August 2007, following the acquisition of Infomaster, the Group had \$395,037 in cash on hand.

Notes to the financial statements 30 June 2007

31. Events occurring after the balance sheet date (continued)

a) Acquisition of IFMA Pty Ltd (continued)

Details on net assets acquired and goodwill are as follows:

| | 2007 \$'000 |
|--|----------------|
| Purchase consideration | |
| Cash Paid | 2,887 |
| Fair value of shares issued | 100 |
| Direct costs relating to the acquisition | 474 |
| Total purchase consideration | 3,461 |
| Fair value of net identifiable assets acquired (refer below) | (3,461) |

b) Assets and Liabilities acquired

| | Fair value \$'000 | Acquiree's carrying amount \$'000 |
|---|----------------------|--|
| Cash and cash equivalents | 364 | 364 |
| Property, plant and equipment | 327 | 327 |
| Receivables | 835 | 835 |
| Other Assets | 100 | 100 |
| Payables | (516) | (516) |
| Borrowings | (149) | (149) |
| Employee benefits liabilities | (270) | (270) |
| Other Liabilities | (184) | (184) |
| Deferred tax liability | (1,150) | - |
| Intellectual Property | 4104 | - |
| Net identifiable assets acquired | 3,461 | 507 |

The fair value attributable to the assets and liabilities acquired as part of the IFMA acquisition represents managements best estimate as to their likely value. Further detailed work on the assesment of these fair values will be undertaken during the next financial year.