

# Appendix 4E

## Preliminary final report Year ended 30 June 2003

<b>SWIFTEL LIMITED ACN 009 273 152</b>
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### Results for announcement to the market

\$A'000

(2.1)The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities	Up	107%	to	3,927
(2.2)The amount and percentage change up or down from the previous corresponding period of (loss) from ordinary activities after tax attributes to members.	Up	84.6%	to	(3,473)
(2.3)The amount and percentage change up or down from the previous corresponding period of net (loss) for the period attributable to members.	up	84.6%	to	(3,473)
(2.4) It is not proposed to declare or pay any dividend in relation to the period.				

**Swiftel Limited**  
**Statements of Financial Performance**  
**For the year ended 30 June 2003**

		CONSOLIDATED	
	Note	2003 \$	2002 \$
Revenues from ordinary activities	2	3,926,555	1,913,375
Office and administration expenses		(1,321,629)	(924,788)
Employee benefits expenses		(1,164,676)	(822,670)
Depreciation and amortisation	3	(2,061,943)	(425,490)
Borrowing Costs	3	(95,312)	(16,597)
Operating Infrastructure Costs		(2,606,925)	(1,503,055)
Other expenses from ordinary activities	3	(148,884)	(105,270)
Carrying amount of non-current asset disposed			-
Profit/(loss) from ordinary activities before income tax		(3,472,814)	(1,884,495)
Income tax expense relating to ordinary activities		-	3,584
Profit/(loss) from ordinary activities after income tax		(3,472,814)	(1,880,911)
Net (Profit)/loss attributable to outside equity interest		-	3,584
Net Profit/(loss) attributable to members of Swiftel Limited		(3,472,814)	(1,880,911)
Total revenues, expenses and valuation adjustments recognised directly in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners		(3,472,814)	(1,880,911)
Basic earnings/(loss) per share (cents per share)	5	(3.8)	(2.3)
Diluted earnings/(loss) per share (cents per share)	5	(3.8)	(2.3)

The accompanying notes form an integral part of these financial statements.

**Swiftel Limited**  
**Statements of Financial Position**  
**As at 30 June 2003**

	Note	2003 \$	2002 \$
<b>Current Assets</b>			
Cash assets	6	341,187	961,202
Receivables	7	853,833	410,401
Other Financial Assets	8	-	59,364
Other	9	312,311	253,822
<b>Total Current Assets</b>		1,507,331	1,684,789
<b>Non Current Assets</b>			
Receivables	10	-	80,200
Other Financial Assets		-	-
Property, plant and equipment	12	3,376,739	2,889,391
Other	13	-	206,106
Intangible Assets	14	-	1,534,588
<b>Total Non Current Assets</b>		3,376,739	4,710,285
<b>Total Assets</b>		4,884,070	6,395,074
<b>Current Liabilities</b>			
Payables	15	1,719,861	860,134
Interest bearing liabilities	16	423,134	355,137
Provisions	17	435,363	272,736
<b>Total Current Liabilities</b>		2,587,358	1,488,007
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	16	327,665	267,624
<b>Total Non-Current Liabilities</b>		327,665	267,624
<b>Total Liabilities</b>		2,915,023	1,755,631
<b>Net Assets</b>		1,969,047	4,639,443
<b>Equity</b>			
Contributed equity	18	17,343,679	16,541,261
Reserves	19	814,508	814,508
Accumulated Losses	20	(16,189,140)	(12,716,326)
<b>Total Equity</b>		1,969,047	4,639,443

The accompanying notes form an integral part of these financial statements.

**Swiftel Limited**  
**Statements of Cash Flows**  
**For the year ended 30 June 2003**

	Note	CONSOLIDATED 2003 \$	2002 \$
<b>Cash Flow From Operating Activities</b>			
Receipts from customers		3,553,587	1,635,588
Payments to suppliers & employees		(4,107,219)	(2,572,040)
Interest received		21,547	35,432
Interest and borrowing costs paid		(95,312)	(16,597)
GST received/(paid)		(33,816)	(12,460)
Net cash used in operating activities	23	(661,214)	(930,077)
<b>Cash Flow From Investing Activities</b>			
Payment for property, plant & equipment		(1,017,443)	(369,314)
Proceeds from sale of shares		59,364	-
Advance to Wholly Owned Subsidiary		-	-
Cash disposed of on sale of subsidiary		-	-
Net cash used in investing activities		(958,079)	(369,314)
<b>Cash Flow From Financing Activities</b>			
Proceeds from share issue		853,168	1,204,748
Payment of share issue cost		(50,750)	(79,614)
Proceeds from option issue		-	1,074,344
Payment of option issue cost		-	(60,774)
Proceeds from borrowings - other		451,932	-
Repayment of finance lease principal		(255,072)	(160,707)
Net cash from financing activities		992,278	1,977,997
Net increase/(decrease) in cash held		(620,015)	678,606
Cash at beginning of the financial year		961,202	282,596
Cash at the end of the financial year	6	341,187	961,202

The accompanying notes form an integral part of these financial statements.

	<b>CONSOLIDATED</b>	
	<b>2003</b>	<b>2002</b>
	\$	\$
<b>Note 2: Revenue from ordinary activities</b>		
<b>Operating activities</b>		
Sales revenue – services rendered	3,860,545	1,799,410
Interest income	21,547	35,432
Sundry income	44,463	78,533
Provision of other services	-	-
Total Operating Revenues	3,926,555	1,913,375
<b>Total Revenue from ordinary activities</b>	<b>3,926,555</b>	<b>1,913,375</b>

**Note 3: Profit/(Loss) from ordinary activities**

**a) Expenses from ordinary activities include the following:**

Interest expense – finance lease	62,924	16,597
Depreciation		
- telecommunication assets	198,611	160,045
- plant and equipment	160,455	158,676
- leased plant and equipment	171,029	20,537
Amortisation of goodwill	1,534,588	83,492
Amortisation of deferred costs	(2,740)	2,740
Bad debts written off	-	28,341
Deferred costs written off	-	10,629
Provision for doubtful debtors	38,465	37,005
Rental expense on operating leases (minimum lease payments)	650,744	422,259
Carrying amount of non-current assets disposed	-	-
Auditors' Remuneration:		
Auditing or reviewing the financial report		
Ernst & Young	26,402	8,142
Arthur Andersen	-	3,858
Other Services		
Ernst & Young	1,300	-
Arthur Andersen	-	500

**Note 5: Earnings per share**

Net Loss used in the calculation of basic and diluted EPS	3,472,814	1,880,911
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS	90,809,856	82,748,489

Options on issue are considered to be potential ordinary shares. In accordance with AASB 1027, none of the options on issue were considered to be potentially dilutive as the exercise price exceeded the average market share price during the year ended 30 June 2003.

**CONSOLIDATED**  
**2003**                      **2002**  
**\$**                              **\$**

**Note 6: Cash assets**

Cash at bank	62,525	97,933
Deposits at call	278,662	863,269
	<u>341,187</u>	<u>961,202</u>

**Note 7: Receivables (current)**

Trade debtors	825,106	417,495
Provision for Doubtful Debtors	(35,000)	(37,005)
GST net receivable	63,727	29,911
Other	-	-
	<u>858,833</u>	<u>410,401</u>

**Note 8: Other financial assets (current)**

Shares		
Listed - at cost	-	59,364

**Note 9: Other (current)**

Prepayments	312,311	253,822
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**Note 10: Receivables (non-current)**

Other receivables	-	80,200
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**Note 12: Property, plant and equipment**

*Plant and Equipment*

Telecommunications Infrastructure at cost	2,988,270	2,497,860
Less accumulated depreciation	(494,382)	(245,353)
	<u>2,493,888</u>	<u>2,252,507</u>
Office plant and equipment - at cost	771,027	764,361
Less accumulated depreciation	(432,696)	(273,115)
	<u>338,331</u>	<u>491,246</u>
Leased plant and equipment - at cost	689,170	169,387
Less accumulated depreciation	(144,650)	(23,749)
	<u>544,520</u>	<u>145,638</u>
<b>Total property, plant and equipment</b>	<u><b>3,376,739</b></u>	<u><b>2,889,391</b></u>

(a) Movements in Carrying Amounts – **Consolidated 2003**

	Opening WDV	Additions	Disposals	Depreciation	Closing WDV
Telecommunications Infrastructure	2,252,507	439,992	-	(198,611)	2,493,888
Office plant and equipment	491,246	7,540	-	(160,455)	338,331
Leased plant and equipment	145,638	569,911	-	(171,029)	544,520
	<u>2,889,391</u>	<u>1,017,443</u>	<u>-</u>	<u>(530,095)</u>	<u>3,376,739</u>

(b) Movements in Carrying Amounts – **Swiftel Limited 2003**

	Opening WDV	Additions	Disposals	Depreciation	Closing WDV
Office plant and equipment	447,758	42,268	-	(158,441)	331,585
Leased plant and equipment	24,877	30,762	-	(17,931)	37,708
	<u>472,635</u>	<u>73,030</u>	<u>-</u>	<u>(176,372)</u>	<u>369,293</u>

	<b>CONSOLIDATED</b>	
	<b>2003</b>	<b>2002</b>
	\$	\$
<b>Note 13: Other (non-current)</b>		
Deferred costs	-	45,086
Accumulated amortisation	-	(2,740)
	-	42,346
Prepayments	-	163,760
	-	206,106
<b>Note 14: Intangible Assets</b>		
Goodwill at cost	1,669,835	1,669,835
Less accumulated amortisation	(1,669,835)	(135,247)
	-	1,534,588
<b>Note 15: Payables</b>		
Trade creditors	1,569,904	800,908
Accrued expenses	149,957	59,226
	1,719,861	860,134
<b>Note 16: Interest bearing liabilities</b>		
<i>Current</i>		
Lease liability	432,134	355,137
<i>Non current</i>		
Lease liability	327,665	267,624
<b>Note 17: Provisions</b>		
<i>Terms and conditions relating to the above lease liabilities;</i>		
Finance leases have an average lease term of 3 years with the option to purchase the asset at the completion of the lease term for the asset's market value. The average discount rate implicit in the leases is 7.53% (2002: 5.81%). A restriction exists over requiring notification to the lessor of any further finance leases entered into. Secured lease liabilities are secured by a charge over the leased assets.		
<i>Current</i>		
Forfeited shares account	54,590	54,590
Employee entitlements	61,999	32,492
Unearned income	318,774	185,654
	435,363	272,736

	<b>CONSOLIDATED</b>			
	<b>2003</b>	<b>2002</b>		
	\$	\$		
<b>Note 18: Contributed equity</b>				
127,975,262 fully paid ordinary shares (2002: 85,316,811)	17,343,679	16,541,261		
	2003	2003	2002	2002
(a) Ordinary shares	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
At the beginning of the financial year	85,316,811	16,541,261	60,237,383	14,567,068
Rights Issue – 1 for 2 at \$0.02 each	42,658,406	853,168	-	-
Rights Issue at \$0.06 each	-	-	20,079,127	1,204,748
Exercise of options at \$0.20 each	-	-	301	60
Swiftel Communications Pty Ltd 19.9% acquisition	-	-	5,000,000	500,000
Option issue premium August 2001	-	-	-	199,000
Option issue for acquisition	-	-	-	150,000
Share issue costs	-	(50,750)	-	(79,618)
	<u>127,975,217</u>	<u>17,343,679</u>	<u>85,316,811</u>	<u>16,541,261</u>

	<b>CONSOLIDATED</b>	
	<b>2003</b>	<b>2002</b>
	\$	\$
<b>Note 19: Reserves</b>		
<b>(a) Option premium Reserve</b>		
Opening balance	814,508	-
Add issue of 58,352,056 at 1.5 cents each expiring 13 March 2005, exercisable at 10 cents each (less costs to issue options) (i)	-	814,508
Closing Balance	<u>814,508</u>	<u>814,508</u>
(i) Option issue costs for 2002 were \$60,774		
<b>(b) Asset realisation reserve</b>		
Opening balance	-	4,044,120
Less transfer to Accumulated Losses	-	(4,044,120)
Closing Balance	-	-
<b>Total Reserves</b>	<u>814,508</u>	<u>814,508</u>

<b>Note 20: Accumulated losses</b>		
Accumulated losses at the beginning of the year	12,716,326	14,879,535
Net loss from ordinary activities after income tax	3,472,814	1,880,911
Transfer from Asset Realisation Reserve	-	(4,044,120)
Accumulated losses at the end of the financial year	<u>16,189,140</u>	<u>12,716,326</u>

<b>Note 21: Outside Equity Interest</b>		
Opening balance	-	(60,081)
Add share of loss from ordinary activities	-	(3,584)
Less acquisition of minority interest	-	63,665
Closing balance	<u>-</u>	<u>-</u>

**CONSOLIDATED**  
**2003**                      **2002**  
**\$**                                      **\$**

**Note 23: Cash Flow Information**

***(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax***

Loss from ordinary activities after income tax	(3,472,814)	(1,884,495)
Non cash items		
- Depreciation	530,095	339,258
- Amortisation	1,531,848	86,232
- Profit on deconsolidation of controlled entities	-	-
- Loss on sale of mining tenements and shares in controlled entity	-	-
- Provision for doubtful debts	(38,465)	37,005
- Bad debt written off	-	28,341
- Deferred costs written off	-	10,629
Changes in assets and liabilities		
- (Increase)/Decrease in trade and trade debtors	(407,611)	(237,336)
- (Increase)/Decrease in other receivables	(33,816)	86,976
- (Increase)/Decrease in other non-current assets	(80,200)	-
- (Increase)/Decrease in current prepayments	(58,489)	22,416
- (Increase)/Decrease in non-current prepayments	163,760	156,713
- (Increase)/Decrease in deferred costs	45,086	(45,086)
- Increase/(Decrease) in trade creditors and accruals	859,727	376,196
- Increase/(Decrease) in interest bearing liabilities	137,038	(30,408)
- Increase/(Decrease) in provisions	162,627	123,482
Cash Flows from Operating Activities	(661,214)	(930,077)

***(b) Non-Cash Finance and Investing activities***  
***Finance Lease Transactions***

During the financial year the consolidated entity acquired plant and equipment with an aggregate fair value of \$569,911 (2002: \$130,456) via finance leases.

***Prepaid Asset***

In 2001 the consolidated entity entered into a three year agreement for Hardware Maintenance services to its Telecommunications Infrastructure for a total payment of \$909,641. The amount was paid in advance and was funded via vendor finance. During 2002 the consolidated entity renegotiated the maintenance agreement, to reduce the sum payable for the remainder of the term by \$248,971 and has reduced both the prepaid maintenance costs and the finance lease liability in the statement of financial position.

**Dividends**

There were no dividends declared or paid during the period or planned to be declared in relation to the period..

There are no dividend reinvestment plans in operation.

**Net assets**

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

Current period \$A'000	Previous corresponding period - \$A'000
1.54 cents	3.64 cents

**Details of entities**

There are no entities over which control has been gained or lost during the period..

**Details of associates and joint venture entities**

There were no associated companies in which equity was held nor joint ventures in which the group participated.

**Significant information**

During the year the company raised \$853,168 before costs of the issue, by a rights issue to shareholders at \$0.02 per share.

Subsequent to the end of the financial year, the company raised \$840,000 by the placement of 14 million shares at 6 cents per share, with a free option attached, subject to shareholder approval.

**Commentary**

The basic loss per ordinary share for the period was 2.7 cents, compared with 2.3 cents per share in the previous period. At the date of this report there are 68,162,982 options outstanding in relation to the acquisition of an equal number of ordinary shares at exercise prices between \$0.10 and \$0.40. For all of the period ending 30 June 2003 the company's shares traded at below 10 cents, so that the existence of these options is not considered dilutive for that period.

## Building Business Growth

Swiftel has increased revenues by 107% for the year 2003 and is now in a strong position to move through its development phase into profitability for the year 2004.

The company has shown a loss of \$3,472,814 for 2003 but is already showing strong growth in its new Broadband division. The loss for 2003 includes a write off of goodwill of \$1,531,848 following a review of the carrying value of the Perth fibre network.

The Board decided in December to reposition the strategy of the company to establish a presence in Sydney to develop growth in its Broadband product, after signing an agreement with Telstra Wholesale Division.

The decision involved funding the growth strategy which has had an adverse impact upon the previous profit, but has developed a strong customer base. The impact has shown that Swiftel has will produce its first profit for the 2004 financial year.

The decision to market and deliver ADSL to the SME market in Sydney and Perth has proved to be a very valuable one with over 4000 customers achieved to the 11<sup>th</sup> September 2003.

The financial year projections for the 2004 year released to the ASX show revenue to increase to \$15 million with an EBIT of \$1.4 million.

## **Audit Status**

The accounts upon which the information in this Appendix 4E report is based are in the process of being audited.