

ANNUAL REPORT

2003

KNOWLEDGE

GROWTH

ADVANCEMENT
COMMUNICATIONS



EXPANSION

EXPERTISE

TECHNOLOGIES

Corporate Directory

Corporate Directory

DIRECTORS

Dr Saliba Sassin (Chairman)
Christopher Gale
David Vilensky
Adrian Paul
Colin Marland
Malcolm Dick

COMPANY SECRETARY

Graeme R. Boden

REGISTERED OFFICE

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Perth WA 6000

SOLICITORS

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Perth WA 6000

BANKERS

Bank of Western Australia Ltd
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Perth WA 6000

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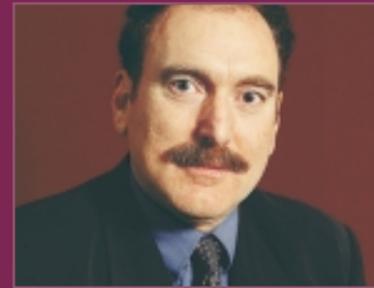
DR SALIBA SASSINE
(Bec (Hons) PhD)
Chairman (Non-Executive)

Dr Sassine has more than 15 years' experience in directing the business of publicly listed companies, with an emphasis on technology and growth. Dr Sassine is currently Chief Executive Officer of Visiomed Group Ltd, and a director of KLM Group Limited and WHI Securities PTY Ltd.



CHRISTOPHER PETER GALE
Chief Executive Officer

Mr Gale, the founder of Swiftel Communications Pty Ltd, has more than 15 years' experience in the data communications field, servicing customer needs for high quality data communications products and services. Mr Gale also has substantial experience in emerging technologies for data communications networks.



DAVID VILENSKY (B.A LLB)
Director (Non-Executive)

Mr Vilenky is a practising solicitor and managing partner of Perth law firm Bowen Buchbinder Vilenky. He has over 20 years' experience in the field of corporate and business law and in commercial and corporate management. Mr Vilenky has a special interest in the duties and obligations of company directors under the Corporations Act 2001, and has acted for a number of listed and public companies.



MALCOLM STUART DICK
Director (Non-Executive)

Mr Dick has had extensive experience in the telecommunications industry. He was CEO of Netway Communications - a joint venture between Telecom NZ and Freightways Group. He subsequently established Call Australia Pty Ltd - a switchless carrier which was ultimately sold to RSLCOM. Presently, Mr Dick is part owner of CallPlus Ltd - the third largest fixed line carrier in New Zealand, and Slingshot - a dial-up ISP. He is also a Director and shareholder of Argent Networks Ltd and ihug.



COLIN JOSEPH MARLAND
Director (Non-Executive)

Mr Marland has more than 20 years' experience in the telecommunications industry and was one of the industry's pioneers in the early days of the partially deregulated telecommunications market. He specialised in the conception and start-up phase of telecommunication companies and has successfully listed several companies on the ASX. Mr Marland was a co-founder of People Telecom and corpTel Group - at the time Australia's largest service provider prior to its sale to AAPT in 1998. Mr Marland has served on the board of the telecommunication industry ombudsman and several listed telecommunication companies. Mr Marland is currently CEO of the privately held Chifley Group and an executive board member and major shareholder of People Telecom.



ADRIAN PAUL
Director (Non-Executive)

Mr Paul has spent his career working in financial markets following completion of a business degree. He has 15 years' experience in investment firms, and during that time has held senior positions including a period as partner. Presently, Mr Paul runs his own capital raising business for clients. He is also a Director of listed company Sylvania Resources NL.



The 2002-03 financial year proved both to be challenging and rewarding for Swiftel. The company has worked its way through some of the most difficult conditions experienced in the capital markets. Swiftel has not only survived but has thrived during this period. The company is now poised to capitalise on this base and accelerate its growth in the rapidly growing telecommunications sector.

The level of business and customer take-up of Swiftel services continued to grow. Sales revenue for the year was up 115% on the 2002 year - and is expected to increase by a very high rate again this financial year. This is a direct result of the company's strategy combining a national expansion of services, and the concerted effort to become the pre-eminent provider of Broadband DSL. Swiftel now has over 5000 customers operating via its network throughout Australia. This is a huge increase from last financial year and the company continues to connect new services at a rate in excess of its business plan.

Of particular note in enabling the aforementioned growth was the signing of the Telstra Wholesale agreement in October 2002. The alliance gives Swiftel access to Telstra's high quality broadband network throughout Australia, providing entry

into markets without the costly outlay of developing infrastructure and further fibre networks.

Swiftel's national expansion commenced in Sydney in February 2003 and using its proven methodology of customer acquisition found immediate success, in fact nearly 50% of Swiftel's revenue this year will come from Sydney and over 90% from a combination of Sydney, Brisbane and Melbourne. Through 2003-04, Swiftel will focus on further expansion to become a true national telecommunications company providing services to every major capital city and provide services where possible to all major regional centres.

Swiftel is continuing to expand the range of services available to its customer base and has become a full telecommunications service provider offering an extensive range of high quality, data and voice solutions to corporate and small and medium sized businesses. This has been achieved through agreements with other leading technology carriers, and continued customer service initiatives.

Deserving of recognition are Swiftel's management and staff teams. We have a highly professional and incredibly skilled group of people, who have over the past year

demonstrated dedication and commitment to achieving the company's business objectives and longer-term strategy. I thank everyone for their hard work and commitment. I would like to welcome on to Swiftel's Board two new Directors Colin Marland and Malcolm Dick. Both Colin and Malcolm bring an enormous amount of telco experience to help us achieve our goal of becoming one of Australia's leading telecommunications companies.

Swiftel's goal moving into the 2003-04 year is to turn the revenues and growth into profits. The foundation has been built, we have moved through the development stage and now look forward to the all important stage of profitability. The broadband market in Australia is set to boom and Swiftel is truly in a position to take advantage of this.

I appreciate the support of Swiftel stakeholders and look forward to a prosperous 2003-04 financial year.


Chris Gale
Chief Executive Officer

Swiftel Milestones

During 2002-2003 Swiftel achieved significant milestones as part of its ongoing strategy to grow profits and expand into larger markets. These include:



Swiftel Strategy

Swiftel's growing presence as a specialist niche player in the corporate data market has seen the first steps in its business strategy achieved during 2002-03.

Swiftel will continue to concentrate on high growth markets, expanding and consolidating its services throughout Australia and providing nation-wide data and voice solutions to become a full service provider alternative for "corporate customers".

Swiftel has moved through the development stage of its initial business strategy to establish itself in the Australian telecommunications market. Specialising in corporate data services (high speed connectivity, bandwidth, co-location, managed services) and DSL broadband, Swiftel has developed a competitive value proposition by establishing a technologically superior and cost-effective IP network.

Swiftel also utilises the infrastructure of other telecommunications providers through a number of strategic alliances. This allows Swiftel customers through its alliance partners to gain connection throughout South East Asia, Europe and the USA.

These strategic relationships have provided Swiftel with a truly national network, without having to meet the initial capital cost, and have been a significant factor in accelerating growth in revenues.

A critical alliance during 2002-03 was the signing of the wholesale agreement with Telstra. The agreement allows Swiftel to connect to Telstra's Australian network. This provides Swiftel with greater exposure to large corporate and small to medium businesses in Australia's major capital cities.



Swiftel Growth

The number of broadband connections in Australia has increased 112% over the past 12 months to 31 March 2003. For companies that wholly or partly utilise their own networks changes in revenue largely drop straight through to the bottom line. Given the solid growth in the data access market such companies should generate strong positive cashflow momentum over the foreseeable future.

(Aegis Technology Sector Review, August 2003).

Swiftel's strategy to grow as a specialist niche player in the data market means it is well poised to capitalise on the significant growth in broadband connectivity throughout Australia.

During 2002-03, Swiftel expanded into the national market establishing a presence in Sydney NSW. This move was met with early success, demonstrating the enormous potential for Swiftel services in high growth markets.

With continuing growth in the broadband market, Swiftel forecasts continued growth in Sydney and expects this to be mirrored in both Melbourne and Brisbane following the establishment of Swiftel Points of Presence (PoP's) in these cities.

Swiftel is also committed to expanding its range of services and developing into a full service carrier by incorporating the most effective proven technologies from technology leaders in the global market. Broadband DSL will remain a key area of focus. In addition, Swiftel will develop the full suite of voice products, including both fixed and mobile, to compliment its range of data solutions.

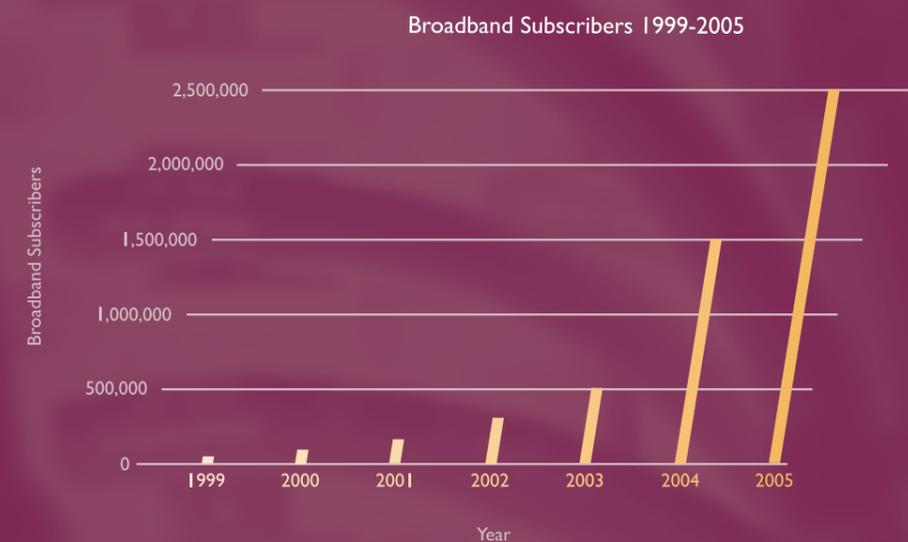
Growth and expansion both geographically and technologically is supported by strong marketing initiatives. Swiftel has a dedicated team of experienced professionals targeting existing and potential clients to develop relationships that are sustained over the longer term. Swiftel's business remains customer orientated, with a strong emphasis on customer service and account management.

A recent technology research report conducted by Aegis Consulting demonstrates that Swiftel has positioned itself to exploit the telecommunications market's growth trends. The report said:

"In contrast to the technology market, the data access market is growing strongly. In particular, broadband, specifically ADSL and other xDSL derivatives targeting the SME and high-end residential segments is recording exceptionally strong growth based on improving pricing, expanding service availability and superior service functionality. According to a recent survey undertaken by the ACCC, the number of broadband connections in Australia has increased 112% over the last 12 months to 31 March 2003, up from 199,800 to 423,600."

"The most significant growth has been in the take-up of DSL technologies, which increased 221% from 68,100 as at March 2002 to 218,000 at March 2003. There has been proliferation of ADSL service resellers, however market growth has been such that the competitive dynamics remain relatively benign."

"The take-up of DSL based broadband within the SME and high-end residential segments is exceptionally strong. Companies with exposure to this segment should record strong top-line growth."



(Source: Paul Budde Communication)

Products & Services

Swiftel offers major corporate and SME customers a full range of data and voice services. These include Dark Fibre, High Speed Corporate Internet Solutions, Broadband DSL, National Corporate Private network solutions, Data Storage, Carrier Class Co-location and local, long distance and mobile voice services.



Swiftel is now uniquely positioned in its sector and has set itself apart from its peers through its full suite of products offering.

During 2002-03, Swiftel focused on strategic and technological developments to enhance its key products offering, becoming a full telecommunications service provider.

NATIONAL CORPORATE PRIVATE NETWORK SOLUTIONS

Swiftel's network allows delivery of a point-to-point solution to all Australian cities as well as metropolitan and regional areas. Through our partners Swiftel can connect customer branch offices to all parts of Australia.

Swiftel's solution allows national organisations to connect their interstate offices using a high-speed point-to-point VPN connection, allowing clients to significantly increase data connectivity between their offices and dramatically improve speed and efficiencies.

Swiftel provides a fully managed data solution including management of all router hardware and ongoing configuration changes. This solution allows our customers to concentrate on their core business activities while totally outsourcing their WAN infrastructure.

BROADBAND DSL

The past year has seen enormous growth in the broadband telecommunications market throughout Australia. Swiftel has focused on providing customers with the most cost effective and high quality broadband ADSL plans in Australia.

Leading telecommunications analyst Paul Budde has predicted that growth in this sector is set to continue. He forecast the number of broadband subscribers would rise from 500,000 in 2003 to an estimated 2.5 million in 2005, with broadband revenues increasing from A\$7 billion in 2000 to A\$81 billion in 2010.

Swiftel has developed a business-grade broadband service enabling fast, efficient access for Internet, data and voice. Its Broadband DSL solution provides corporate clients with quality, high speed, Australia-wide internet connectivity to 2Mbps. This DSL solution also enables Swiftel to connect customers to its private IP network, delivering point-to-point corporate solutions.

HIGH-SPEED CORPORATE & WHOLESALE INTERNET SOLUTIONS

Utilising its fibre network infrastructure, Swiftel provides large corporate organisations and Internet Service Providers with High-Speed Internet connectivity. Swiftel has developed and built a highly reliable best of breed network infrastructure to deliver these services. Swiftel has also interconnected with a number of tier one Internet carriers and other local providers to provide highly reliable, diverse path Internet Solution. Swiftel has been very successful in providing these services and currently provides them to some of Australia's largest commercial organisations.

CO-LOCATION

Swiftel's Co-location services are used by a broad spectrum of organisations from Carriers, large Companies, Government Departments and Internet Service Providers. Rather than build their own facilities customers choose to outsource this function to Swiftel.

Swiftel's Data Centre was designed and built to leading industry standards specifications including vesda fire detection, FM200 gas suppressant, back up generators and individual circuits to each rack. Swiftel's data centre complements all of its other data services, a majority of its co-location customers also purchase Internet and point-to-point VPN solutions.

VOICE, SERVICES

Swiftel entered into an agreement with People Telecom Ltd a national telecommunication service provider that will enable Swiftel to be a "full service carrier" and provide its customers with a complete range of telecommunications services.

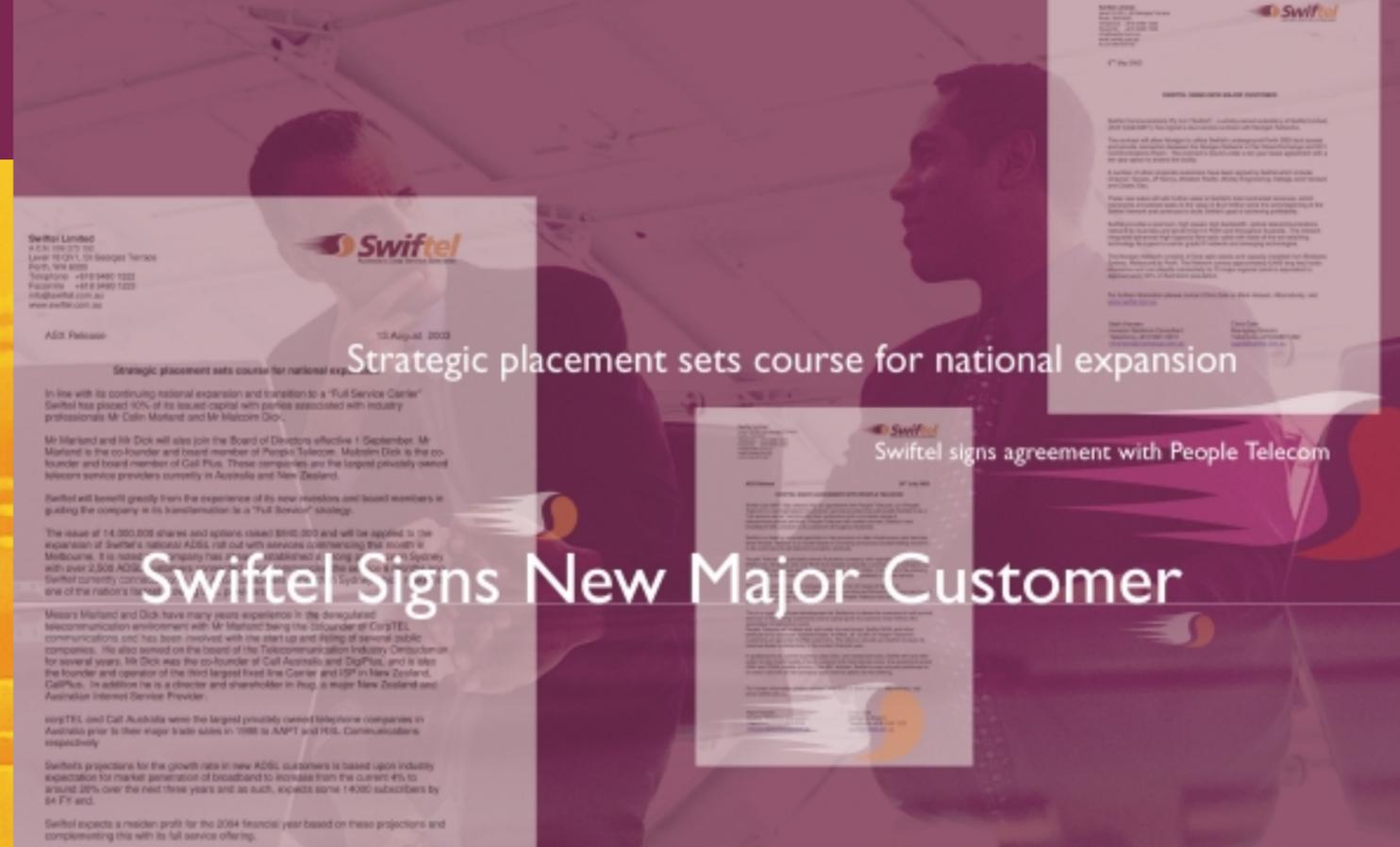
The alliance will allow each company to provide the full range of Data and telecommunications services to their customers on the one bill and under its own brand.

In addition to its current business class DSL and related services, Swiftel will now offer under its own brand resale of local, national and international voice, line equipment rental, GSM and CDMA mobile all via a "One Bill" Solution.

Swiftel Customers

Swiftel's customer base has grown significantly during 2002-03. The company now services in excess of 5000 corporate and small and medium sized businesses throughout Australia.

The range of products and services that Swiftel offers and are being utilised by its customers continues to expand, with emphasis on leading edge technologies. Broadband DSL has proved valuable with substantial take-up among customers.



A sample of Customers that have signed with Swiftel over the past 12 months include:

Alexander College	Global Knowledge (Core Vision)	Rick Hart
Asia Global Crossing	Hawaiian Management	Swan Christian Education Association Inc
Brown & Root (Halliburton)	HLB Mann Judd	Treasury & Finance of WA
Bunnings	J P Kenny	United Credit Union
Cable Sands	Landcorp	WA Electoral Commission
CBA Legal	Legal Aid	WA Homeloans
Chevron Texaco	Osaka Gas	Wood & Grieve
City of Stirling	Pacific Internet	Worley
Cox Howlett Bailley	Police & Nurses Credit Society	
Ditch Witch	Premier & Cabinet of WA	
Fusion	RCR Tomlinson	

Swan Christian Education Association Inc (SCEA)

“With large distances between sites, poor line quality and no ADSL/Wireless alternatives, most vendors were extremely slow to provide any alternatives, and the few alternatives suggested were prohibitively expensive.

“We had a solution within days of meeting with Swiftel, and at an extremely competitive rate. But what really impressed us was that all the services were installed and operational well ahead of schedule. Compared with our dealings with previous service providers, the turnaround time on service installation was remarkable.

“Since implementing Swiftel's solution, our WAN services have been considerably more reliable - they have not experienced a single outage on any of our WAN connections. Previously SCEA was averaging two outages for the same time period.

“Our experience of Swiftel has been fantastic. SCEA has no hesitation or reservations about recommending Swiftel to other customers.”

Steve Crockett
IT Manager

“I would like to take this opportunity to say that I am extremely pleased and satisfied with the superior service that Swiftel provides to its customers. Coming from the UK where the broadband revolution exploded and the service providers had an extremely bad time supporting the demand from the public (which led to very dissatisfied people, including myself), it has been a breath of fresh air to see a company like Swiftel tackle problems head on and to reward its customers for their loyalty, as well as being honest and proactive with service difficulties.

“I hope this excellent service continues for many years to come as the business grows and prospers! Well done Swiftel!”

Khurram Mahmood
DSL Broadband customer

Legal Aid WA

“The ADSL solution provided by Swiftel for Legal Aid was cost effective and delivered a DSL solution that is a vast improvement on other traditional wide area network alternatives. Swiftel's solution has enabled Legal Aid WA to provide regional centres

with a high level access speed to information previously restricted to the Perth office. We have been able to substantially improve our telecommunications infrastructure without the need to purchase new or additional capital equipment. Swiftel has been professional with regard to every aspect of the solution we required and worked closely with our technical team to develop a solution that delivers a critical service. The statewide implementation roll-out was a huge success and we experienced only limited downtime.”

Rolly Hester
Information Management Project Coordinator

“I can't believe how good the sales, support and service is that I have received from Swiftel already. I have only been connected two weeks and my ADSL service was connected three days before it was due to be, it worked straight away, and has worked ever since without any trouble. When I checked on my account I was given a response within two hours. That's great - keep up the good work!”

Michael Boughton
DSL Broadband customer

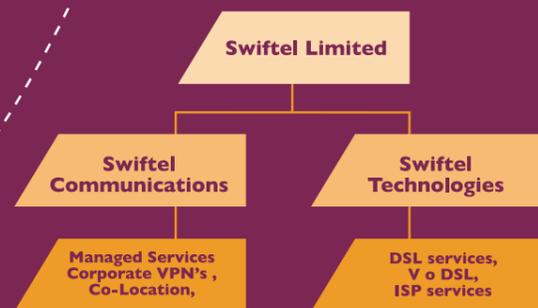
Technology Roadmap

Since Swiftel entered the market it has progressed from a specialist data services company to a full service telecommunications provider.

Using its own leading edge fibre network infrastructure Swiftel delivers fast, high quality and cost effective services to meet all its customers' data and telecommunications needs Australia wide.

Swiftel Limited has implemented two divisions within its structure Swiftel Communications and Swiftel Technologies.

Swiftel Communications provides high end tailor made communication services to large corporate customers and Swiftel Technologies supplies DSL services and ISP products to small and medium enterprise.



Directors' Report

Your directors present their report on the consolidated entity for the financial year ended 30 June 2003.

Directors

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

- C. P. Gale
- D. Vilensky
- Dr S. Sassine
- A. Paul (appointed 16 October 2002)
- M. S. Dick (appointed 12 September 2003)
- C. J. Marland (appointed 12 September 2003)

Unless otherwise indicated, the directors held their position for the entire financial year and up to the date of this report.

Principal Activities

The principal activities of the consolidated entity during the financial year were the provision of data communication services within the Australian market, predominantly in the central business district of Perth, and the commencement of ADSL internet access services in Sydney and Perth.

Operating Results

The loss from ordinary activities after income tax of the consolidated entity was \$3,472,818 for the financial year ended 30 June 2003 (2002: \$1,880,911)

Dividends

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

Review of Operations

During the course of the year, the consolidated entity has increased its sales revenue from operations from \$1,799,410 to \$3,860,545. There are 152 corporate clients currently contracted to the Swiftel network generating recurring revenues and 4,300 ADSL customers, of which 3,500 are in Sydney. During the financial year to 30 June 2003, the consolidated entity has expanded its operations into the eastern states by expanding and duplicating its Points of Presence in Sydney and Melbourne.

Employees

The consolidated entity employed 22 people at 30 June 2003 (30 June 2002: 12)

Significant Changes in State of Affairs

On 13 March 2003 the directors announced a one for two rights issue at an issue price of two cents per share which resulted, at completion on 14 May 2003, in the allotment of 42,658,406 shares to raise \$853,168 before costs of the issue.

After Balance Date Events

There have not been any significant events occurring after 30 June 2003 up to date of this report other than the issue of 14,000,000 ordinary shares fully paid at six cents per share to raise \$840,000, placed by resolution of directors to four professional investors. Conditions of this placement included the grant of 14,000,000 free listed March 2005 options, subject to the approval of shareholders. Mr Colin Marland and Mr Malcolm Dick participated in the issue and became directors on 12 September 2003 after the shares were allotted.

Future Developments

The likely developments in the operations of the consolidated entity in future financial years are to expand the ADSL customer base in Sydney, Melbourne, Brisbane and Perth, to expand the product offering with a full range of voice and data services, and consolidate the client base and product offering on the Perth CBD fibre network.

Environmental Issues

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

Information on Directors

The names and details of the company's directors in office during the financial year or until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

CHRISTOPHER PETER GALE Chief Executive Officer

Mr Gale, the founder of Swiftel Communications Pty Ltd, has over fourteen years experience in the data communications field, servicing customer needs for high quality data communications products and services, particularly in Perth. Mr Gale also has substantial experience in the emerging technologies for communications networks and has developed solid relationships with technology manufacturers and vendor suppliers.

Directors' Report

DR SALIBA SASSINE

BEc(Hons) PhD
Chairman (Non-Executive)

Dr Sassine is an experienced director, who has over 15 years experience with several public companies with particular emphasis on the technology sector. He is presently a Non-executive Director of WHI Securities Pty Ltd and Chief Executive Officer of Visiomed Australia Limited.

DAVID VILENSKY

BA LLB
Director (Non-Executive)

Mr Vilensky is a practising solicitor and managing partner of Perth law firm Bowen Buchbinder Vilensky. He has more than 20 years of experience in the field of corporate and business law and in commercial and corporate management. Mr Vilensky has a special interest in the duties and obligations of company directors under the Corporations Act 2001 and has acted for a number of listed and public companies.

ADRIAN STEPHEN PAUL

Director (Non-Executive)
Appointed 16th October 2002

Mr Paul has spent his career working in financial markets following completion of a business degree. He has 15 years experience in investment firms, and during that time has held senior positions including a period as partner. Presently, Mr Paul runs his own capital raising business for clients. He is also a Director of listed company Sylvania Resources NL.

MALCOLM STUART DICK

Director (Non-Executive)
Appointed 12th September 2003

Mr Dick has had extensive experience in the telecommunications industry over the past 15 years. He was CEO of Netway Communications - a joint venture between Telecom NZ and Freightways Group. He subsequently established Call Australia Pty Ltd - a switchless carrier which was ultimately sold to RSLCOM. Presently, Mr Dick is part owner of CallPlus Ltd - the third largest fixed line carrier in New Zealand, and Slingshot - a dial-up ISP. He is also a Director and shareholder of Argent Networks Ltd, and ihug

COLIN JOSEPH MARLAND

Director (Non-Executive)
Appointed 12th September 2003

Mr Marland has significant experience in the telecommunications industry and was one of the industry's pioneers in the early days of the partially deregulated telecommunications market. He specialises in the conception and start-up phase of telecommunication companies and has successfully listed several companies on the ASX. Mr Marland was a co-founder of People Telecom and corpTEL Group - Australia's largest service provider prior to its sale to AAPT in 1998. Mr Marland is CEO of the Chifley Group which specialises in telecommunications investment and property development.

Company Secretary

Graeme Raymond Boden

BEc(Hons) FCPA FAICD FTIA AFAIM

Mr Boden was appointed Company Secretary on 10th October 2002. He is the principal of Boden Corporate Services Pty Ltd which serves a client base of small companies, some of which are progressing to an ASX listing. He has over 15 years experience as a director or secretary of listed companies.

Directors' Security Holdings

As at the date of this report the directors' share and option holdings and relevant interests therein were:

	Fully Paid Shares	Options
C.P. Gale	19,290,000	11,845,000
Dr S. Sassine	600,000	2,333,332
D.Vilensky	90,645	966,666
A. Paul	11,288,850	17,032,216
M.Dick	7,000,000	-
C.Marland	3,083,334	-

During the financial year the directors participated in the non-renounceable rights issue on the basis of one share for each two shares held at an issue price of \$0.02 per share. The directors participated in the issue only to the extent of their entitlement, which was C. Gale (5,646,667 shares), A Paul (3,762,950 shares), S Sassine (200,000 shares) and D Vilensky (30,215 shares).

On 13 August 2003, the company signed an agreement whereby M. Dick and C. Marland subsequently subscribed for 7,000,000 shares and 2,666,667 shares respectively at an issue price of \$0.06 per share, with a provision for a free option to be issued for each share subscribed for, subject to shareholder approval. Messrs Dick and Marland became directors after the subscription for the ordinary shares.

Directors' And Officers' Emoluments

The following table sets out the remuneration received by the directors of the company during the reporting period.

Directors	Salary	Directors' & Consulting fees	Non-Executive Option Plan (unlisted)	Superannuation Contributions	TOTAL
	\$	\$	\$	\$	\$
C. P. Gale	107,788	75,000	-	9,167	191,955
D.Vilensky	-	16,000	-	-	16,000
Dr S. Sassine	-	24,000	-	-	24,000
A.Paul	-	11,333	-	-	11,333
M. Dick	-	-	-	-	-
C. Marland	-	-	-	-	-

Emoluments of the five most highly paid executive officers of the company and consolidated entity

Mr Christopher Gale is the only executive officer of the company, details of his remuneration are noted in the table above.

Remuneration policy of directors and officers

The remuneration is approved by the board and takes into account, the directors' and officers' experience, qualifications and remuneration paid to companies of similar complexity listed on the Australian Stock Exchange.

Meetings of directors

During the financial year, there were 11 meetings of directors. Attendances were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
C P Gale	11	11
D.Vilensky	11	11
Dr S. Sassine	11	11
Mr A Paul	8	7

Committee Membership

An Audit Committee was established on 22 May 2003 and comprises Mr D Vilensky (chairman) and Dr S Sassine. The committee has met once since its establishment and up to the date of this report.

Indemnification and Insurance of Directors and Officers

During the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has entered into a directors' & officers' insurance contract on 2 January 2003 for the purpose of insuring against any liability that may arise from the directors carrying out their duties and responsibilities in their capacity as officers of the company. The amount of the premium was \$31,703.

Options

The following options over issued shares or interests in the company were granted during or since the end of the financial year:

- 301,560 granted on 1 January 2003, exercise price of 15 cents on or before 1 January 2005 (Employee Options)
- 50,000 granted on 1 January 2003, exercise price of 10 cents on or before 1 January 2005. (Employee Options)

Shares have been issued by virtue of the exercise of options during the year or to the date of this report, to the extent of 45 listed March 2005 options which were exercised at a price of ten cents per share. 321,900 employee options exercisable on or before 1 August 2003 lapsed unexercised. There are 68,162,982 unissued ordinary shares for which options are outstanding at the date of this report.

Options (cont'd)

Grant Date	No. of Options	Exercise Price	Expiry Date	
Prior to October 2000	1,050,000	20 cents	10 March 2004	
October 2000	1,000,000	40 cents	3 October 2005	Employee Options
5 September 2001	5,000,000	10 cents	13 March 2005	
5 April 2002	1,999,998	17.5 cents	30 September 2006	Non-executive Options
16 April 2002	58,352,011	10 cents	13 March 2005	
15 May 2002	409,413	10 cents	1 January 2005	Employee Options
1 January 2003	50,000	10 cents	1 January 2005	Employee Options
1 January 2003	301,560	15 cents	1 January 2005	Employee Options
	<u>68,162,982</u>			

Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the directors support and have adhered to the principles of Corporate Governance. The Company's Corporate Governance Statement is contained in the following section of this annual report.

Signed in accordance with a resolution of the Board of Directors:



Christopher Gale
Director

Dated this 30th day of September 2003

Corporate Governance

The Board of Directors of Swiftel is responsible for the Corporate Governance of the consolidated entity.

The Board of Directors is responsible for setting the strategic direction and establishing the policies of Swiftel, for overseeing the financial position, and for monitoring the business and affairs on behalf of the shareholders, by whom the directors are elected and to whom they are accountable.

Responsibility for day to day activities is delegated by the Board to the chief executive officer and his senior management team.

Swiftel's main Corporate Governance practices in place during the financial year are summarised below:

Composition of the Board

Details of the directors of Swiftel in office at the date of this Statement are set out in the Directors' Report. The composition of the Board is determined using the following principles:

- In accordance with the Constitution the Board should comprise at least three directors, increasing where it is felt that additional experience is required in specific areas, or when an outstanding candidate materialises.
- The Board should comprise directors with an appropriate range of qualifications and expertise.
- The Chairman should be a non-executive director.

Directors are initially appointed by the full Board are subject to election by shareholders at the next Annual General Meeting, and re-election at three-yearly intervals.

Independent Professional Advice

In fulfilling their duties, each director has the right to seek independent professional advice at the company's expense, but only after first notifying the Chairman of the Company of such an intention.

Reviewing Compensation Arrangements

On an annual basis the directors review and make recommendations as to remuneration packages. Remuneration of directors is determined by the Board within the maximum amount approved by the shareholders from time to time. The executive director reviews annually the overall remuneration package and policies for staff employed by company.

This review ensures that the remuneration policy structure is equitable, market competitive and consistent so as to ensure the recruitment and retention of staff with the capability and experience necessary for the achievement of Swiftel's business objectives. Reviews of remuneration for directors and staff are undertaken taking into consideration advice from appropriate external consultants where appropriate.

The Board is responsible for reviewing the allotment of options under the Employee Incentive Scheme.

Identifying and Managing Business Risks and Internal Control Framework

The Board monitors the operational and financial performance of the company and the consolidated entity against budget and other key performance measures. The Board in conjunction with management and appropriate consultants, also reviews and receives advice on areas of operational and financial risks.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that can be described as follows:

- Financial reporting - The Consolidated Entity reports to Australian Stock Exchange Limited yearly and half-yearly. Procedures are also in place to ensure that price sensitive information is reported to Australian Stock Exchange Limited in accordance with Continuous Disclosure Requirements.
- Operations review - A member of the Board regularly visits key sites to inspect the operations and meet employees.

Codes Of Conduct

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. All directors and employees who are members of a professional body are required to comply with their respective bodies' ethical standards.

Statements of Financial Position For the year ended 30 June 2003

	Note	CONSOLIDATED		SWIFTEL LIMITED	
		2003 \$	2002 \$	2003 \$	2002 \$
Revenues from ordinary activities	2	3,985,919	1,913,375	119,954	137,029
Cost of sales		(2,089,552)	(1,503,055)	-	-
Employee benefits expenses		(1,164,676)	(822,670)	(1,164,676)	(822,670)
Depreciation and amortisation	3	(613,587)	(425,490)	(176,371)	(166,983)
Borrowing costs	3	(95,312)	(16,597)	(37,340)	(12,882)
Other expenses from ordinary activities	3	(3,497,012)	(1,030,058)	(2,839,814)	(866,753)
Loss from ordinary activities before income tax		(3,472,818)	(1,884,495)	(4,098,247)	(1,732,259)
Income tax expense relating to ordinary activities		-	-	-	-
Loss from ordinary activities after income tax		(3,472,818)	(1,884,495)	(4,098,247)	(1,732,259)
Net (Profit)/loss attributable to outside equity interest	22	-	3,584	-	-
Net loss attributable to members of Swiftel Limited		(3,472,818)	(1,880,911)	(4,098,247)	(1,732,259)
Total revenues, expenses and valuation adjustments recognised directly in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(3,472,818)	(1,880,911)	(4,098,247)	(1,732,259)
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.

	Note	CONSOLIDATED		SWIFTEL LIMITED	
		2003 \$	2002 \$	2003 \$	2002 \$
Current Assets					
Cash assets	6	341,187	961,202	264,871	958,753
Receivables	7	853,833	410,401	53,429	37,420
Other financial assets	8	-	59,364	-	59,364
Other	9	312,311	253,822	60,933	11,865
Total Current Assets		1,507,331	1,684,789	379,233	1,067,402
Non Current Assets					
Receivables	10	-	80,200	2,571,959	3,031,765
Other financial assets	11	-	-	130,105	1,581,201
Property, plant and equipment	12	3,376,739	2,889,391	369,293	472,635
Other	13	-	206,106	-	-
Intangible assets	14	-	1,534,588	-	-
Total Non Current Assets		3,376,739	4,710,285	3,071,357	5,085,601
Total Assets		4,884,070	6,395,074	3,450,590	6,153,003
Current Liabilities					
Payables	15	1,466,006	860,134	1,461,806	840,134
Interest bearing liabilities	16	685,989	355,137	79,068	51,606
Provisions	17	116,589	87,072	116,589	87,081
Other current liabilities	18	318,774	185,664	-	-
Total Current Liabilities		2,587,358	1,488,007	1,657,463	978,821
Non-Current Liabilities					
Interest bearing liabilities	16	327,665	267,624	13,518	98,748
Total Non-Current Liabilities		327,665	267,624	13,518	98,748
Total Liabilities		2,915,023	1,755,631	1,670,981	1,077,569
Net Assets		1,969,047	4,639,443	1,779,609	5,075,434
Equity					
Contributed equity	19	17,343,683	16,541,261	17,343,683	16,541,261
Reserves	20	814,508	814,508	814,508	814,508
Accumulated losses	21	(16,189,144)	(12,716,326)	(16,378,582)	(12,280,335)
Total Equity		1,969,047	4,639,443	1,779,609	5,075,434

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

Note	CONSOLIDATED		SWIFTEL LIMITED	
	2003 \$	2002 \$	2003 \$	2002 \$
Cash Flow From Operating Activities				
Receipts from customers	3,551,512	1,635,588	1,448	1,110,019
Payments to suppliers & employees	(4,337,717)	(2,572,040)	(1,891,917)	(1,317,062)
Interest received	21,547	35,432	21,163	35,331
Interest and borrowing costs paid	(95,312)	(16,597)	(37,340)	(12,882)
GST received/(paid)	(33,816)	(12,460)	(16,565)	-
Net cash used in operating activities	24	(893,786)	(1,923,211)	(1,183,594)
Cash Flow From Investing Activities				
Payment for property, plant & equipment	(667,443)	(369,314)	(73,030)	(43,571)
Proceeds from sale of shares	97,899	-	97,899	-
Advance to Wholly Owned Subsidiary	-	-	-	(214,821)
Net cash used in investing activities	(569,545)	(369,314)	24,869	(258,392)
Cash Flow From Financing Activities				
Proceeds from share issue	853,172	1,204,748	853,172	1,204,748
Payment of share issue cost	(50,750)	(79,614)	(50,750)	(79,614)
Proceeds from option issue	-	1,074,344	-	1,074,344
Payment of option issue cost	-	(60,774)	-	(60,774)
Proceeds from Loans	250,000	-	250,000	-
Payment of Loan	(250,000)	-	(250,000)	-
Proceeds from borrowings - other	207,503	-	484,560	-
Repayment of finance lease principal	(166,610)	(160,707)	(82,522)	(20,324)
Net cash from financing activities	843,315	1,977,997	1,204,460	2,118,380
Net increase/(decrease) in cash held	(620,015)	678,606	(693,882)	676,394
Cash at the beginning of the financial year	961,202	282,596	958,753	282,359
Cash at the end of the financial year	6	341,187	264,871	958,753

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

Note 1: Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

Swiftel Limited is a listed public company, registered and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

a) Going concern

The company and the consolidated entity have made a net loss from ordinary activities of \$4,098,247 and \$3,472,818 respectively for the year ended 30 June 2003 (2002: \$1,732,259 and \$1,880,911 respectively), and have net current liabilities as at 30 June 2003 of \$1,278,230 and \$1,080,027 respectively.

Notwithstanding the matters referred to above, the directors have prepared the financial statements of the company and the consolidated entity on a going concern basis. In arriving at this position the directors have considered the following pertinent matters:

- (i) Subsequent to 30 June 2003 the company has raised \$840,000 via the placement of 14,000,000 ordinary fully paid shares at six cents per share to four professional investors;
- (ii) Subsequent to 30 June 2003, the company has refinanced its major equipment lease and associated maintenance arrangement at a cash saving of approximately \$233,000 per annum;
- (iii) during the year ended 30 June 2003 the consolidated entity demonstrated the capacity to increase sales revenues, many of which are on a recurring basis, including the launching of new business as an ADSL marketer;
- (iv) at 30 June 2003 and subsequent to 30 June 2003 the number of ADSL customers has exceeded the estimate upon which expected profitability and positive cashflows for the 30 June 2004 year was based;

(v) the consolidated entity has secured arrangements with a strategic partner which allows it to become a full service telecommunications provider, further enhancing its ability to increase revenues; and

(vi) the directors are confident of their ability to secure additional working capital should it become necessary to do so.

Should the directors not materially achieve the matters set out above, there is significant uncertainty whether the company and the consolidated entity will be able to continue as going concerns and therefore realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, that might be necessary should the company and the consolidated entity not be able to continue as going concerns.

b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to employee benefits.

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. As the impact of this change is immaterial to the consolidated entity, no adjustment has been made against accumulated losses.

c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising Swiftel Limited (the parent entity) and all entities that Swiftel Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All intercompany balances and transactions, including

unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

d) Cash

For the purpose of the statement of cash flows, cash includes:

- (i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- (ii) investments in money market instruments with less than 90 days to maturity.

e) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for doubtful debtors. An estimate for doubtful debtors is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables for related parties are recognised and carried at the nominal amount due, interest is taken up as income on an accrual basis.

f) Investments

Listed shares held for trading are carried at the lower of cost and net market value. Changes in net market value are recognised as revenue or expense in the statement of financial performance for the period.

All other non-current investments are carried at the lower of cost and recoverable amount in the consolidated financial report.

g) Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market denominated risk adjusted discount rate.

h) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation or amortisation.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amount of all fixed assets and capitalised leased assets, is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Asset	Depreciation Rate
Telecommunications infrastructure	5% - 10%
Office plant & equipment	20% - 33%
Leased plant and equipment	20% - 33%

i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the consolidated entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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.

j) Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at date of acquisition. Purchased goodwill is amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

k) Other non-current assets

Expenditure carried forward

Significant items of carry forward expenditure having a benefit or relationship to more than one period are written off over the periods to which such expenditure relates.

l) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Payables to related parties are carried at the principal amount. Interest when charged by the lender is recognised as an expense on an accrual basis.

m) Interest-bearing liabilities

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Finance lease liability is determined in accordance with the requirements of AASB 1008 "Leases".

n) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of obligation.

o) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares and listed options are recognised directly in equity as a reduction of the share proceeds received.

p) Revenue

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

Where monies are received in advance of the delivery of service, the amount is recorded as unearned revenue until the service is delivered.

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

q) Borrowing costs

Borrowing costs are expensed as incurred except where they relate to the financing of projects under construction where they are capitalised up to the date of commissioning or sale.

r) Income Tax

- (i) *Income Tax* - The company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the result from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of the accounting result and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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 company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

- (ii) *Goods and Services Tax* – Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

s) Employee Entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of the future cash outflows, the market yield as at the reporting date on national government bonds, which have terms of maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits are recognised against profit on a net basis in the respective categories.

The value of the equity based compensation scheme described in note 29 is not being recognised as an employee benefits expense.

t) Earnings per Share

Basic EPS is calculated as net profit/(loss) attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit/(loss) attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

u) Comparative Figures

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

	CONSOLIDATED		SWIFTEL LIMITED	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 2: Revenue from ordinary activities				
Operating activities				
Sales revenue – services rendered	3,860,545	1,799,410	-	-
Interest income	21,547	35,432	21,163	35,331
Proceeds from sale of shares (3b)	97,899	-	97,899	-
Sundry income	5,928	78,533	892	101,698
Total operating revenues	3,985,919	1,913,375	119,954	137,029
Total Revenue from ordinary activities	3,985,919	1,913,375	119,954	137,029

	CONSOLIDATED		SWIFTEL LIMITED	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 3: Profit/(Loss) from ordinary activities				
a) Expenses from ordinary activities include the following:				
Borrowing costs expensed				
Interest expense				
- Finance lease	62,924	16,597	5,268	12,882
- Other	7,132	-	6,816	-
Other borrowing costs	25,256	-	25,256	-
Depreciation and Amortisation				
Depreciation				
- telecommunication assets	198,611	160,045	-	-
- plant and equipment	160,455	158,676	158,440	156,141
- leased plant and equipment	171,029	20,537	17,931	10,842
	530,095	339,258	176,371	166,983
Amortisation of goodwill	83,492	83,492	-	-
Amortisation of deferred costs	-	2,740	-	-
	83,492	86,232	-	-
	613,587	425,490	176,371	166,983
Other operating expenses				
Deferred costs written off	42,346	10,629	-	-
Goodwill written off	1,451,096	-	-	-
Investment in subsidiary written off	-	-	1,451,096	-
Provision for doubtful debtors	38,465	37,005	-	-
Bad debts written off	-	28,341	-	-
Consultancy, accountancy & admin fees	403,705	195,388	398,401	154,464
Insurance expense	91,865	55,715	91,865	55,715
Public relations and marketing costs	116,197	40,629	115,123	37,435
Facilities based expenses	50,610	44,402	47,276	37,979
Rental expense on operating leases (minimum lease payments)	650,744	422,259	295,692	279,851
Auditors' Remuneration:				
Auditing or reviewing the financial report				
Ernst & Young	26,402	8,142	26,402	8,142
Arthur Andersen	-	3,858	-	3,858
Other Services				
Ernst & Young	1,300	-	-	-
Arthur Andersen	-	500	-	500
Carrying amount of investments disposed (b)	59,364	-	59,364	-
Other operating costs	564,918	223,190	354,595	288,809
	3,497,012	1,030,058	2,839,814	866,753
b) Losses/(gains)				
Net gain on disposal of shares	38,535	-	38,535	-

CONSOLIDATED	SWIFTEL LIMITED		2003	2002
	2003	2002		
	\$	\$	\$	\$
Note 4: Income Tax Expense				
The prima facie tax benefit on operating loss from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2002: 30%)	1,041,845	565,349	1,229,474	519,678
Less tax effect of permanent differences;				
Amortisation of goodwill	(25,048)	(25,048)	-	-
Goodwill written off	(435,328)	-	-	-
Non-deductible costs	(3,307)	(1,988)	(3,307)	(1,988)
Write down of investment in subsidiary	-	-	(460,376)	-
Reduction in opening balance of deferred taxes resulting from reduction in tax rate	-	(21,654)	-	(22,665)
Less:				
Future income tax benefits not brought to account as realisation is not virtually certain	(578,162)	(516,659)	(765,791)	(495,025)
Income tax expense	-	-	-	-
Estimated unconfirmed and unutilised income tax losses available to offset future years taxable income	5,241,588	3,314,380	5,869,263	3,316,626
Tax benefit at 30%	1,572,476	994,314	1,760,779	994,988

No income tax is payable by the consolidated entity for the period. The directors have not brought to account future income tax benefit arising from income tax losses until there is virtual certainty of deriving assessable income of a nature and amount to enable such benefits to be realised. The benefits of these losses will only be obtained if:

- i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable such benefits to be realised;
- ii) The consolidated entity continues to comply with the conditions of deductibility imposed by the relevant law; and
- iii) No changes in the tax legislation adversely affect the consolidated entity in realising the benefits from the deduction for the loss.

Tax consolidation

As at 30 June 2003, the consolidated entity had not yet elected to become a tax consolidated group, therefore no deferred tax balances have been adjusted to reflect any changes in the revised tax legislation.

	CONSOLIDATED		2003	2002
	2003	2002		
	\$	\$	\$	\$
Note 5: Earnings per share				
Net Loss used in the calculation of basic and diluted EPS	3,472,818	1,880,911		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS				
	Number	Number		
	90,809,856	82,748,489		
There were no dilutive potential ordinary shares at balance date.				
	CONSOLIDATED		SWIFTEL LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
Note 6: Cash assets				
Cash at bank	62,525	97,933	59,814	95,484
Deposits at call	278,662	863,269	205,057	863,269
	341,187	961,202	264,871	958,753
Note 7: Receivables (current)				
Trade debtors	825,106	417,495	-	556
Provision for Doubtful Debtors	(35,000)	(37,005)	-	-
GST net receivable	63,727	29,911	53,429	36,864
	853,833	410,401	53,429	37,420
<i>Terms and conditions</i>				
Terms and conditions relating to the above financial instruments				
(i) Trade debtors are non-interest bearing and generally on 30 day terms.				
Note 8: Other financial assets (current)				
Shares				
Listed - at cost	-	59,364	-	59,364
Note 9: Other (current)				
Prepayments	312,311	253,822	60,933	11,865

Notes to the Financial Statements For the year ended 30 June 2003

	CONSOLIDATED		SWIFTEL LIMITED	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 10: Receivables (non-current)				
Other receivables	-	80,200	-	80,200
Related Party Receivables				
Controlled entities	-	-	2,571,959	2,951,565
	-	80,200	2,571,959	3,031,765

Note 11: Other financial assets (non-current)				
Shares				
Unlisted controlled entities - at cost	-	-	130,105	1,581,201

	Class of Share	2003		2002	
		Holding %	Investment \$	Holding %	Investment \$
Swiftel Communications Pty Ltd	Ordinary	100%	130,104	100%	1,581,200
Swiftel Technologies Pty Ltd	Ordinary	100%	1	100%	1
			130,105		1,581,201

All companies within the consolidated group are incorporated in Australia.

	CONSOLIDATED		SWIFTEL LIMITED	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 12: Property, plant and equipment				
<i>Plant and Equipment</i>				
Telecommunications Infrastructure at cost	2,988,270	2,497,860	-	-
Less accumulated depreciation	(494,382)	(245,353)	-	-
	2,493,888	2,252,507	-	-
Office plant and equipment - at cost	771,027	764,361	762,267	721,079
Less accumulated depreciation	(432,696)	(273,115)	(430,682)	(273,231)
	338,331	491,246	331,585	447,758
Leased plant and equipment - at cost	689,170	169,387	69,692	38,930
Less accumulated depreciation	(144,650)	(23,749)	(31,984)	(14,053)
	544,520	145,638	37,708	24,877
Total property, plant and equipment	3,376,739	2,889,391	369,293	472,635

(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
	2,889,391	1,017,443	-	(530,095)	3,376,739

(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
	472,635	73,030	-	(176,372)	369,293

Assets pledged as security

Assets under lease are pledged as security for the associated lease liabilities.

	CONSOLIDATED		SWIFTEL LIMITED	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 13: Other (non-current)				
Deferred costs	-	45,086	-	-
Accumulated amortisation	-	(2,740)	-	-
	-	42,346	-	-
Prepayments	-	163,760	-	-
	-	206,106	-	-

Note 14: Intangible Assets

Goodwill at cost	1,669,835	1,669,835	-	-
Less accumulated amortisation	(218,739)	(135,247)	-	-
Less write down	(1,451,096)	-	-	-
	-	1,534,588	-	-

Note 15: Payables

Trade creditors	1,316,049	800,908	1,316,049	800,908
Accrued expenses	149,957	59,226	145,757	39,226
	1,466,006	860,134	1,461,806	840,134

Terms and conditions

Terms and conditions relating to the above financial instruments

- (i) Trade creditors are non-interest bearing and normally settled on 30 day terms.

Notes to the Financial Statements For the year ended 30 June 2003

	CONSOLIDATED		SWIFTEL LIMITED	
	2003	2002	2003	2002
	\$	\$	\$	\$
Note 16: Interest bearing liabilities				
<i>Current</i>				
Borrowings	56,228	-	56,228	-
Lease liability	629,761	355,137	22,840	51,606
	685,989	355,137	79,068	51,606
<i>Non current</i>				
Lease liability	327,665	267,624	13,518	98,748
<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%). Lease liabilities are secured by a charge over the leased assets.				
Note 17: Provisions				
<i>Current</i>				
Forfeited shares account	54,590	54,590	54,590	54,590
Employee entitlements	61,999	32,492	61,999	32,491
	116,589	87,082	116,589	87,081
Note 18: Other current liabilities				
<i>Current</i>				
Unearned Income	318,774	185,654	-	-
	318,774	185,654	-	-
Note 19: Contributed equity				
127,975,262 fully paid ordinary shares (2002: 85,316,811)				
	17,343,683	16,541,261	17,343,683	16,541,261
	2003	2003	2002	2002
(a) Ordinary shares	Number	\$	Number	\$
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	-	-
Share Options Exercised - 45 at 10 cents each	45	4	-	-
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)
	127,975,262	17,343,683	85,316,811	16,541,261

(b) Share Options

During the year 45 listed March 2005 options were exercised at a price of 10 cents per share, and 321,900 employee options exercisable on or before 1 August 2003 lapsed unexercised. New options issued were 351,560 granted to employees pursuant to existing arrangements.

At 30 June 2003, there were 68,484,882 unissued ordinary shares for which options were outstanding.

(b) Share Options (cont'd)

Grant Date	No. of Options	Exercise Price	Expiry Date	
Prior to October 2000	1,050,000	20 cents	10 March 2004	
October 2000	1,000,000	40 cents	3 October 2005	Employee Options
5 September 2001	5,000,000	10 cents	13 March 2005	
5 February 2002	321,900	30 cents	1 August 2003	Employee Options
5 April 2002	1,999,998	17.5 cents	30 September 2006	Non-executive
Options				
16 April 2002	58,352,011	10 cents	13 March 2005	
15 May 2002	409,413	10 cents	1 January 2005	Employee Options
1 January 2003	50,000	10 cents	1 January 2005	Employee Options
1 January 2003	301,560	15 cents	1 January 2005	Employee Options
	68,162,982			

Terms and conditions of contributed equity;

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of surplus assets in proportion to the number of an amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Notes to the Financial Statements For the year ended 30 June 2003

(b) Share Options (cont'd)

CONSOLIDATED	SWIFTEL LIMITED			
	2003 \$	2002 \$	2003 \$	2002 \$
Note 20: Reserves				
(a) Option premium reserve				
Opening balance	814,508	-	814,508	-
Add issue of 58,352,056 options at 1.5 cents each expiring 13 March 2005, exercisable at 10 cents each (less costs to issue options) (i)	-	814,508	-	814,508
Closing Balance	814,508	814,508	814,508	814,508
(i) Option issue costs for 2002 were \$60,774				
(b) Asset realisation reserve				
Opening balance	-	4,044,120	-	4,044,120
Less transfer to Accumulated Losses	-	(4,044,120)	-	(4,044,120)
Closing Balance	-	-	-	-
Total Reserves	814,508	814,508	814,508	814,508
Note 21: Accumulated losses				
Accumulated losses at the beginning of the year	12,716,326	14,879,535	12,280,335	14,592,199
Net loss from ordinary activities after income tax	3,472,818	1,880,911	4,098,247	1,732,256
Transfer from Asset Realisation Reserve	-	(4,044,120)	-	(4,044,120)
Accumulated losses at the end of the financial year	16,189,144	12,716,326	16,378,582	12,280,335
Note 22: Outside Equity Interest				
Opening balance	-	(60,081)		
Add share of loss from ordinary activities	-	(3,584)		
Less acquisition of minority interest	-	63,665		
Closing balance	-	-		

	CONSOLIDATED		SWIFTEL LIMITED	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 23: Capital and Leasing Commitments				
(a) Finance Lease Commitments				
Payable				
- not later than 1 year	689,719	378,475	25,019	63,425
- later than 1 year but not later than 5 years	363,964	278,694	14,559	106,562
Minimum lease payments	1,053,683	657,169	39,578	169,987
Less future finance charges	(96,357)	(34,408)	(3,220)	(19,633)
Total lease liability	957,426	622,761	36,358	150,354
Current liability	629,761	355,137	22,840	51,606
Non-current liability	327,665	267,624	13,518	98,748
Total lease liability	957,426	622,761	36,358	150,354
(b) Operating lease commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements:				
Payable				
- not later than 1 year	502,008	701,610	302,918	302,918
- later than 1 but not later than 5 years	528,529	826,135	322,742	625,660
	1,030,537	1,527,745	625,660	928,578

Terms and conditions relating to the above operating lease commitments:

Finance leases are utilised to acquire plant equipment and telecommunications infrastructure. Operating lease commitments include rent on the administration office which at 30 June 2003 has a further 25 months prior to expiry.

Notes to the Financial Statements For the year ended 30 June 2003

	CONSOLIDATED		SWIFTEL LIMITED	
	2003 \$	2002 \$	2003 \$	2002 \$
Note 24: Cash Flow Information				
<i>(a) Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax</i>				
Loss from ordinary activities after income tax	(3,472,818)	(1,884,495)	(4,098,247)	(1,732,259)
Non cash items				
- Depreciation	530,095	339,258	176,372	166,983
- Amortisation	83,492	86,232	-	-
- Goodwill written off	1,451,096	-	-	-
- Provision for doubtful debts	38,465	37,005	-	-
- Bad debt written off	-	28,341	-	-
- Deferred costs written off	42,346	10,629	-	-
- Investment in subsidiary written off	-	-	1,451,096	-
- Net (profit)/loss on disposal of investments	(38,535)	-	(38,535)	-
Changes in assets and liabilities				
- (Increase)/Decrease in trade receivables	(448,081)	(237,336)	556	9,321
- (Increase)/Decrease in other receivables	(33,816)	86,976	(16,565)	-
- (Increase)/Decrease in other non-current assets	80,200	-	-	-
- (Increase)/Decrease in current prepayments	(58,489)	22,416	(49,068)	(11,866)
- (Increase)/Decrease in non-current prepayments	163,760	156,713	-	-
- (Increase)/Decrease in deferred costs	-	(45,086)	-	-
- Increase/(Decrease) in trade creditors and accruals	605,872	376,196	621,672	376,116
- Increase/(Decrease) in interest bearing liabilities	-	(30,408)	-	-
- Increase/(Decrease) in unearned income	133,120	(30,408)	-	-
- Increase/(Decrease) in provisions	29,507	123,482	29,508	8,111
Cash Flows from Operating Activities	(893,786)	(930,077)	(1,923,211)	(1,183,594)

(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 \$350,000 (2002: \$130,456) via finance leases.

During the year the parent entity transferred finance lease liabilities to a subsidiary with an aggregate fair value of \$459,806.

Note 25: Remuneration of directors and executives

	CONSOLIDATED		SWIFTEL LIMITED	
	2003 \$	2002 \$	2003 \$	2002 \$
a) Remuneration of directors:				
Income paid or payable to all directors of each entity in the Consolidated Entity by the entities of which they are directors and any related parties	243,288	258,715	243,288	258,715
The number of parent entity directors whose income from the parent entity or related bodies corporate falls within the specified bands is as follows:			2003 Number	2002 Number
\$0 - \$9,999			-	2
\$10,000 - \$19,999			2	-
\$20,000 - \$29,999			1	1
\$40,000 - \$49,999			-	1
\$90,000 - \$99,999			-	-
\$180,000 - \$189,999			-	1
\$190,000 - \$199,999			1	-
			4	5
b) Remuneration of Executives				
	Consolidated		Swiftel Limited	
	2003	2002	2003	2002
	\$	\$	\$	\$
Remuneration received, or due and receivable by executive officers (including directors) whose remuneration is \$100,000 or more, from entities in the economic entity and related parties, in connection with the management of the affairs of the entities in the economic entity	191,955	183,415	191,955	183,415
	Consolidated		Swiftel Limited	
	2003	2002	2003	2002
	Number	Number	Number	Number
The number of executive officers (including directors) whose income was within the specified bands:				
\$180,000 - \$189,999	-	1	-	1
\$190,000 - \$199,999	1	-	1	-

Notes to the Financial Statements For the year ended 30 June 2003

Note 26: Related party disclosures

DIRECTORS

a) The directors of the parent entity who have held office during the financial year are:

C. P. Gale
D. Vilensky
Dr S. Sassine
A. Paul (appointed 16 October 2002)

b) Information on the remuneration of directors is set out in Note 25.

TRANSACTIONS WITH DIRECTORS AND DIRECTOR-RELATED ENTITIES

(a) Transactions with director related entities

(i) Fees amounting to \$38,376 (2002: \$15,716) for legal services were paid to the legal firm of Bowen Buchbinder Vilensky, of which Mr. D. Vilensky is a partner. The services were made under normal commercial terms and conditions.

(ii) Swiftel Communications Pty Ltd purchased \$313,555 (2002: \$144,419) in telecommunications goods and services from Wingside Nominees Pty Ltd trading as the KLM Group. Mr C. Gale had control of Wingside Nominees Pty Ltd as a director and shareholder of that company. Wingside Nominees Pty Ltd is in the business of data communications, telecommunications and electrical services and is contracted by Swiftel Communications Pty Ltd from time to time to install the infrastructure which the Company is using in its business. The purchases were made under normal commercial terms and conditions. Mr Gale relinquished control of Wingside Nominees Pty Ltd on 4 June 2003.

(b) Directors equity holdings

	2003 Number	2002 Number
Aggregate number of ordinary shares in Swiftel Limited held at balance date by directors and director-related entities	31,269,495	14,751,449
Aggregate number of options to subscribe for fully paid ordinary shares in Swiftel Limited held at balance date by directors and director-related entities	32,177,214	15,144,998

The following movements in directors, equity holdings occurred during the year:

- The directors acquired the following shares through participation in the non-renounceable rights issue - C Gale (5,646,667 shares), A Paul (3,762,950 shares), S Sassine (200,000 shares) and D Vilensky (30,215 shares).
- C Gale indirectly acquired 100,000 shares through an on-market purchase.
- S. Sassine disposed of an indirect holding of 748,116 shares upon resignation as a director of Biospace Investments Ltd.
- A Paul had an initial interest of 7,525,900 shares and 17,032,216 options upon appointment as a director.

All equity dealings with directors have been entered into on terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Note 27: Financial Instruments

(a) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing		Non –interest bearing	Total 2003 \$
			Within 1 Year 2003 \$	1 to 5 Years 2003 \$		
Financial Assets						
Cash at bank	4.80	257,409	80,000	-	3,778	341,187
Current receivables	-	-	-	-	853,833	853,833
Investments (unlisted shares)	-	-	-	-	-	-
Total Financial Assets		257,409	80,000	-	857,611	1,195,020
Financial Liabilities						
Lease liabilities	7.53	-	629,761	327,665	-	957,426
Borrowings	3.90	-	56,228	-	-	56,228
Trade creditors and accruals	-	-	-	-	1,466,006	1,466,006
Total Financial Liabilities		-	685,989	327,665	1,466,006	2,479,660
	2003 %	2003 \$	2003 \$	2003 \$	2003 \$	2003 \$
Financial Assets						
Cash at bank	4.93	961,202	-	-	-	961,202
Current receivables	-	-	-	-	410,401	410,401
Investments (unlisted shares)	-	-	-	-	59,364	59,364
Non-Current Receivables	4.52	-	80,200	-	-	80,200
Total Financial Assets		961,202	80,200	-	469,765	1,511,167
Financial Liabilities						
Lease Liabilities	5.81	-	355,137	267,624	-	622,761
Trade creditors and accruals	-	-	-	-	860,134	860,134
Total Financial Liabilities		-	355,137	267,624	860,134	1,482,895

Note 27: Financial Instruments (cont'd)

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements. The company does not have any material credit risk exposure to any single debtor or group of debtors.

Net Fair Values

For all assets and other liabilities the net fair value approximates their carrying value, except for shares held in Platinum Australia Limited as detailed in Note 8 which are stated at cost. No financial assets and financial liabilities are readily traded on organised markets in standardised forms.

Note 28: Subsequent Events

There have not been any significant subsequent events after 30 June 2003, other than the placement of 14,000,000 ordinary shares, fully paid at an issue price of \$0.06 per share to raise \$840,000 and a commitment to grant 14,000,000 listed options to some of those shareholders, subject to shareholder approval in general meeting.

Note 29: Segment reporting

The consolidated entity's operating company is organised separately according to the nature of the products and services they provide, with each segment offering different products and serving different markets.

The ADSL segment provides broadband services to the residential and business market. The Communications segment provides data communication services to the corporate market.

Geographically, the consolidated entity operates in one segment, being the Australian market.

Note 29: Segment reporting (cont'd)

	ADSL		Communications		Consolidated	
	2003	2002	2003	2002	2003	2002
	\$	\$	\$	\$	\$	\$
Revenue						
Sales to customers outside the consolidated entity	413,357	-	3,447,188	1,799,410	3,860,545	1,799,410
Total segment revenue	413,357	-	3,447,188	1,799,410	3,860,545	1,799,410
Non-segment revenues						
Interest revenue					21,547	35,432
Profit on share trading					97,899	-
Other revenue					5,928	78,533
Total consolidated revenue					3,985,919	1,913,375
Result						
Segment result	(325,729)	-	1,268,856	259,350	943,127	259,350
Non-segment expenses						
Borrowing expense					(95,312)	(16,597)
Unallocated expenses					(4,320,629)	(2,127,248)
Consolidated entity loss from ordinary activities before income tax					(3,472,818)	(1,884,495)
Income tax expense					-	-
Consolidated entity loss from ordinary activities after income tax					(3,472,818)	(1,884,495)
Net (Profit)/loss attributable to outside equity interest					-	3,584
Net loss					(3,472,818)	(1,880,911)
Assets						
Segment assets	333,550	-	4,320,170	3,405,524	4,653,720	3,405,524
Non-segment assets						
Unallocated assets					230,350	2,989,550
Total Assets					4,884,070	6,395,074
Liabilities						
Segment liabilities	12,000	-	1,274,223	923,077	1,286,223	923,077
Non-segment liabilities						
Finance lease liability					92,586	150,354
Non-allocated liabilities					1,536,214	682,200
Total Liabilities					2,915,023	1,755,631

Note 30: Employee Entitlements

Employee Option Scheme

An employee option scheme has been established where certain members of staff of the consolidated entity are issued with options over the ordinary shares of Swiftel Limited. The options, issued for nil consideration are issued in accordance with performance guidelines established by the directors of Swiftel Limited. The minimum period that an employee must work prior to being considered for employee

options is 12 months. The options are issued in three tranches and have a three year life, they are exercisable at the commencement of the year in which the tranche has been issued. The options cannot be transferred and will not be quoted on the ASX. There are currently 6 employees eligible for the employee option scheme:

	2003		2002	
	Number of Options	Average exercise price	Number of Options	Average exercise price
Balance at beginning of year	1,731,313	31.05 cents	1,000,000	40 cents
Granted	50,000	10 cents	409,413	10 cents
Granted	301,560	15 cents	321,900	30 cents
Exercised	-	-	-	-
Lapsed	(321,900)	30 cents	-	-
Balance at end of year	1,760,973	27.89 cents	1,731,313	31.05 cents
Exercisable at end of year	1,760,973	27.89 cents	1,731,313	31.05 cents

The following table summarises information about options outstanding and exercisable at 1 July 2002:

Grant Date	No. Of Options	Vesting Date	Exercise price	Expiry Date
October 2000	1,000,000	October 2000	40 cents	3 October 2005
February 2002	321,900	February 2002	30 cents	1 August 2003
15 May 2002	409,413	1 January 2002	10 cents	1 January 2005
Total	1,731,313		31.05 cents	

The following table summarises information about options outstanding and exercisable at 30 June 2003:

Grant Date	No. Of Options	Vesting Date	Exercise price	Expiry Date
October 2000	1,000,000	October 2000	40 cents	3 October 2005
February 2002	321,900	February 2002	30 cents	1 August 2003
15 May 2002	409,413	1 January 2002	10 cents	1 January 2005
1 January 2003	50,000	1 January 2003	10 cents	1 January 2005
1 January 2003	301,560	1 January 2003	15 cents	1 January 2005
Total	2,082,873		28.22 cents	

The directors of the company declare that:

- the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - complying with Accounting Standards and Corporations Regulations 2001; and
- there are reasonable grounds to believe that the company and the consolidated entity will be able to pay their debts as and when they become due and payable.

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


Christopher Gale
 Director

Dated this 30th day of September 2003



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152 St Georges Terrace
Perth WA 6000
Australia

■ Tel 61 8 9429 2222
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GPO Box M939
Perth WA 6843

Independent audit report to members of Swiftel Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Swiftel Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).



Audit opinion

In our opinion, the financial report of Swiftel Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Swiftel Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter:

As a result of the matters disclosed in Note 1(a) of the financial statements, there is significant uncertainty whether Swiftel Limited and the consolidated entity will be able to continue as going concerns and, therefore, whether they will be able to realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, that might be necessary should the company or the consolidated entity not be able to continue as going concerns.

Ernst & Young

G A Buckingham
Partner
Perth

Date: 30 September 2003

ASX Additional Information (cont'd)

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information was current at 24th September 2003.

(a) Distribution of equity securities

The number of ordinary shareholders and holders of listed options, exercisable at \$0.10 on or before 13 March 2005 were:

Category (size of Holdings)	Ordinary Shares		March 2005 Options	
	Number of holders	Number of shares	Number of holders	Number of options
1 - 1,000	408	70,955	10	1,949
1,001 - 5,000	247	799,453	16	51,297
5,001 - 10,000	246	2,096,800	19	162,006
10,001 - 100,000	631	24,419,124	103	5,541,252
100,001 and over	146	114,588,930	51	57,595,507
	1,678	141,975,262	199	63,352,011

The number of shareholders holding less than marketable parcels is 596, holding shares to a total of 575,942

(b) Twenty largest shareholders

Name	Number of Ordinary Shares	% of Issued Ordinary Shares Held
1. Sunshore Holdings Pty Ltd	9,938,850	7.00%
2. Ridgelea Enterprises Pty	9,570,000	6.74%
3. Gale Christopher Peter	9,420,000	6.63%
4. Dick Malcolm	7,000,000	4.93%
5. National Nominees Limited	5,983,039	4.21%
6. Haifa Pty Ltd	4,319,891	3.04%
7. Cassim Salim	4,250,000	2.99%
8. Situate Pty Ltd	3,500,000	2.47%
9. Tirman Pty Ltd	3,100,000	2.18%
10. Rogerson Christopher Robe	3,000,000	2.11%
11. Kunac Steven Mate	2,746,839	1.93%
12. Nashar Pty Ltd	2,666,667	1.88%
13. Riveracre Investments PL	2,666,667	1.88%
14. Kamala Holdings Pty Ltd	1,091,379	1.34%
15. E-Cash (AUST) Pty Ltd	1,666,666	1.17%
16. V Cyrtha Corporation	1,500,000	1.06%
17. Shayne Taylor Pty Ltd	1,391,054	.98%
18. Cintra Holdings Pty Ltd	1,350,000	.95%
19. Paton Ian Mark	1,125,000	.79%
20. Castrum Pty Ltd	1,115,000	.79%
	76,401,052	54.52%

(c) Substantial shareholders

The names of the substantial shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001 are:

Shareholder	Ordinary Shares	% Held
Gale Christopher Peter (personal and relevant interest)	18,990,000	13.34%
Sunshore Holdings Pty Ltd	9,938,850	7.00%

(d) Optionholders

The names of the holders of listed options, exercisable at 10 cents per share on or before 13 March 2005, were as follows:

Optionholder	Options	% Held
1. Overnight Nominees Pty Ltd	11,500,000	18.15%
2. Ridgelea Enterprises Pty	8,345,000	13.80%
3. Rogerson Christopher Robe	5,100,000	8.05%
4. Sunshore Holdings Pty Ltd	4,532,216	7.15%
5. Kamala Holdings Pty Ltd	3,254,542	5.14%
6. Gale Christopher Peter	2,500,000	3.95%
7. Cassim, Salim	2,000,000	3.16%
8. National Nominees Limited	1,594,782	2.52%
9. Ali Ahmad Fuad Dato	1,548,250	2.44%
10. Situate Pty Ltd	1,200,000	1.89%
11. Dick Malcolm	1,150,000	1.82%
12. Goldman Sachs JBWere Nominees	1,019,203	1.61%
13. Ruby Hall Pty Ltd	1,000,000	1.58%
14. Flue Holdings Pty Ltd	750,000	1.18%
15. Vajda Tibor	700,000	1.10%
16. Kalkoene Robert	650,256	1.03%
17. Roach Noel Franklyn	610,000	.96%
18. Howells Kidner Pty Ltd	550,000	.87%
19. Planmoor Investments Pty	525,000	.83%
20. Janssen Frederico	500,000	.79%
	49,029,249	77.39%

(e) Unlisted optionholders

The number of unlisted options granted by the company and the number of holders of each class of options were as follows:

Class of option	Number Granted	Number of holders
Expiry 10 March 2004 exercisable at \$0.20	1,050,000	3
Expiry 1 January 2005 exercisable at \$0.10 to \$0.15	760,973	6
Expiry 3 October 2005 exercisable at \$0.40	1,000,000	1
Expiry 30 September 2006 exercisable at \$0.15 to \$0.20	1,999,998	2
	4,810,971	12

Restricted Securities

(f) There are no longer any restricted securities on issue by the company.

(g) Voting Rights

All ordinary shares carry one vote per share without restriction.

On a show of hands every member or proxy present shall be entitled to one vote unless a poll is called in which case every share shall have one vote.

(h) On market buy back

There is no current on market buy back for the company's shares

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