Tele-IP

...on the pulse

30 September 2005

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The Manager
Company Announcements Office
Australian Stock Exchange

Dear Sir/Madam,

We enclose the Annual Report for Tele-IP Ltd consolidated group including the Directors' Report, Auditor's Independence Declaration, Financial Statements and Notes, Directors' Declaration, Auditor's Report and ASX listing requirements for the six month period ended 30 June 2005 in accordance with the Corporations Act 2001 and ASX Listing Rules.

Yours faithfully,

Ian May
Managing Director

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities. The Company changed its financial year from a 31 December to a 30 June balance date. Accordingly information in this report and the accompanying financial statements represent operations for the six month period ended 30 June 2005.

Directors

The names, qualifications, experience and special responsibilities of directors who hold office at the date of this report are:

Dr Colin Adam – Non Executive Chairman

B.Met Eng (Hons), PhD, FIE Aust, FTSE

Age 61

Dr Adam was elected to the Board of Directors of Tele-IP Ltd in February 2004 and accepted the role for of non-executive Chairman, taking over that position from Andrew Martin.

Colin retired from CSIRO in 2001, having acted as Chief executive for 12 months, responsible for the Organisation's academic and business performance and relationships with the government. Colin is a founding member of Principals Funds Management Pty Ltd, who provides Board and executive management skills, and private equity capital, to emerging growth companies.

In the USA, Colin held numerous senior executive positions within the aerospace industry, including roles at Allied Corporation as the Director of the Metals and Ceramics Laboratory, Corporate Technology, and prior to that, as Program Manager in advanced alloy development at Pratt and Whitney Aircraft.

Most recently, Colin has been instrumental in the development and growth of Australian technology companies including his role as a Director of Memtec, a local company sold to US Filter for US$450 million and as the Chairman of the Preston Group, a local aerospace software company sold to Boeing. He was a founding director of Melbourne IT, which became a public company in 1999.

He serves as a Board Member for a number of high technology companies, including Ceramic Fuel Cells Ltd and Universal Biosensors Pty Ltd. He also holds non-executive Board positions with the Strategic Industries Research Foundation and the Overseas Council. Dr Adam is also the current Chairman of the Victoria Centre for Advanced Materials and Manufacturing.

Ian May – Managing Director

AMP – University of Hawaii

Age 57

Ian has been employed in the IT and Communications industries for over 30 years, commencing in technical roles through business analysis and consulting, sales and sales management and then serving as a senior manager for a number of major companies in those industries.

Previously, Ian held the position of Director of the Business division of Optus Communications, Optus' largest division based on revenue, and was responsible for all operational areas including strategy, marketing, sales, distribution, channel management, telemarketing and customer service.

Prior to that position, Ian was General Manager of Amdahl Australia, the large US based IBM-compatible computer manufacturer. He guided Amdahl through a most successful period in taking a significant market share here in Australia.

Ian is particularly focused on strategic planning, development of staff skills and performance measures, creating short and long-term marketing programs, and accountability throughout the entire organisation for effective business management and profitability.

Andrew Martin – Executive Director and Chief Technical Officer

B.EEng FIE Aust

Age 59

Andrew was the founder of Martin Communications Pty Ltd whose research is embodied in the intellectual property and patents that are the basis of the company's telecommunications and network management solutions business.

Andrew worked with Telstra Research Laboratories and established Martin Communications Pty Ltd in 1986. Andrew is a regular contributor to conferences in Australia and overseas and has published a number of technical papers.

Andrew has received formal recognition and acclaim as follows:

A Clunies Ross National Science and Technology Award in 1999.

The Victoria Prize for the Outstanding Engineer or Scientist in 1998.

The Institute of Engineers Australia, Victorian Division Engineering Excellence Award in 1997.

Dr Maurice Venning – Non Executive Director

B.Sc (Hons), B.Ec, PhD

Age 55

Dr Venning is a well-respected consultant providing advice to companies, financiers and other organisations on technology opportunities and technology markets. Maurice has over 25 years experience as a general manager of large companies, consulting for government bodies and corporations, leadership of development teams to produce innovative products and evaluation of technical and commercial opportunities.

Christopher John Eade – Non Executive Director

B.A, B.Business, C.F.P.

Age 34

Chris Eade is the Principal of a financial advisory firm Australian Financial Services Ltd. Chris has extensive financial markets experience as a Chief Executive Officer of a public company, a direct equities adviser (Credit Suisse), and has held senior executive positions with several investment banking organisations specialising in investment review, project development and capital raising.

Anthony Peter Bigum – Non Executive Director

Age 56

Mr Bigum is Chief Executive Officer of Thermo Electron Ltd and has 29 years experience relating to commercialisation within the Medical Invitro Diagnostic industry. Mr Bigum has extensive experience at Board level and in the development of export markets.

Mr Bigum's other positions include those of Chairman of the Australian Diagnostic Manufacturers Association and the past Vice Chairman of Long March – Trade Medical Science Company in Shanghai, Director and Vice President of Trace America Ltd and Chairman of Trace International Ltd Hong Kong.

All directors above held office during the whole of the financial period and up to the date of this report.

Directorship of Other Listed Companies

Directorship of other listed companies held by Directors in the three years immediately before the end of the financial period are as follows:

Director	Company	Period of Directorship
Dr Colin Adam	Ceramic Fuel Cells Limited	6 July 1992- 22 August 2005
	Melbourne IT Limited	17 September 1998- 7 May 2003
Ian May	NONE	
Andrew Martin	NONE	
Dr Maurice Veninng	Circlecom Limited	23 November 2001 – 12 June 2005
Christopher Eade	NONE	
Anthony Bigum	NONE	

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr John Gordon McCormack.

A Chartered Accountant John McCormack is a principal in the corporate advisory firm McCormack and Partners Advisory and an audit partner of the firm Cummings Flavel McCormack Assurance. He specialises in corporate advisory and audit services and has extensive experience as an advisor to medium sized companies with activities in Australia and Asia. John McCormack was appointed company secretary on 20 September 1999.

PRINCIPAL ACTIVITIES

The principal activities of the company and its controlled entities during the six month period were:

- development and marketing of a range of resale products in the wired and wireless corporate networking markets.
- Microwave radio link design, measurement systems development and consulting.
- Development and marketing of a range of satellite based communication systems.
- Research and development of new technology to measure wind velocity patterns and air turbulence.

No significant changes in the nature of the principal activities occurred during the period.

RESULTS AND REVIEW OF OPERATIONS

The Economic Entity incurred a consolidated loss of $1,923,355 for the six month period compared to a loss of $1,541,924 for the 12 months ended 31 December 2004.

Revenue from ordinary activities for the period was $1,450,534 which is a decrease of 58% on a Pro Rata basis from the revenue of $6,907,592 for the 12 months ended 31 December 2004.

Revenue for the network services division was affected by a decision to focus on high value opportunities with a long lead time which did not materialise in the period. Further expansion of the capacity and capabilities of the Network Services Division was deferred until the group completed the acquisition of complimentary businesses from Able Communications and PGS Communications so that the group could take advantage of synergistic opportunities that will arise from the merger of these businesses.

Beam Communications revenue was affected by delays in the supply of new transceiver modules by Iridium which delayed fulfilment of customer orders. New products have been developed and tested during the six month period to meet customer demands in specialised areas, particularly accessories to provide interfaces to the new Iridium module, transport asset tracking and encryption devices used by Government utilities.

Further development of remote and rural calling point solutions has continued to position Beam to provide an alternative communications service to remote areas of Australia. The company is seeking a Federal Government Grant to fund this project and possible participation by other interested parties.

The company's business of supply of telecommunications and network infrastructure equipment and services will be substantially enhanced following completion of the acquisition of two businesses with effect from July 2005.

The merged entity will provide integrated voice and data communications network products and services to government and business enterprises alike, from small business to major corporations.

Tele IP will have an expanded and more substantial capacity and presence in the convergence of customer requirements for voice and data networks, an area of technology and communications services predicted by market analysts to enjoy a high growth over the coming years. Tele IP continues to support and service its large installed base of legacy systems enabling customers to realise a return on investment whilst taking the opportunity to apply new technologies to the needs of businesses today.

The Directors believe it is appropriate to focus on the company's activities in the communications sector and subsequent to balance date has realized its previously stated intention of divesting its investments in StratoSonde technology.

DIVIDENDS PROPOSED OR RECOMMENDED

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Subsequent to 30 June 2005, the company announced the completion of contracts to acquire two businesses for a total consideration of $5,100,000 which is to be satisfied in part by the issue of shares and the balance in cash. These acquisitions are referred to in Note 23 to the financial statements.

The company undertook a Rights Issue and raised $4,750,000 of additional capital by 30 June 2005 and a further $1,723,606 by the date of this report to fund the above acquisitions and to provide additional working capital. Details of this fund raising is included in Notes 13 and 23 to the financial statements.

Apart from the above acquisitions and capital raising, and other matters covered elsewhere in this report, or in the financial statements, there were no significant changes in the state of affairs of the Economic Entity during the financial period.

AFTER BALANCE DATE EVENTS

Apart from matters disclosed in Note 23 to the Accounts, no other matters or circumstances have arisen since the end of the financial period which significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

ENVIRONMENTAL ISSUES

The economic entity's operations are not regulated by any significant environmental regulation under any Commonwealth, State or Territory laws.

FUTURE DEVELOPMENTS

The company will continue the development and commercialisation of the telecommunication and network management systems, and complete the acquisition of complimentary businesses.

OPTIONS

No options were granted over unissued shares during the financial period or since the end of the financial period to the date of this report.

No options were exercised during the financial period.

All options to specified executives or officers have been issued in accordance with the terms and conditions of the parent company's Share Option Incentive Plan.

At the date of this report, the unissued ordinary shares of Tele-IP Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
23.10.01	30.06.06	$0.05	201,500
23.10.01	30.06.06	$0.05	744,500
30.05.02	31.12.06	$0.05	1,000,000
30.05.02	31.12.07	$0.08	3,000,000
30.05.02	31.12.08	$0.08	3,000,000
30.05.02	31.12.09	$0.08	3,000,000
18.03.03	30.06.08	$0.02	650,000
17.05.04	31.12.06	$0.02	1,250,000
01.07.04	01.07.07	$0.04	800,000
19.08.04	31.12.06	$0.05	4,000,000
08.09.04	31.12.09	$0.06	2,000,000
08.09.04	31.12.10	$0.10	2,000,000
			21,646,000

INDEMNIFICATION OF OFFICERS

The parent company is still in the process of negotiating directors and officers liability insurance contracts in respect of certain directors and full time executive officers against all liabilities and expenses arising as a result of work performed in their respective capacities to the extent permitted by law. No indemnity was effected in respect of the auditors.

DIRECTORS' INTERESTS

At the date of this report, the relevant interests of the directors in the securities of the parent company are detailed in Note 17.

DIRECTORS' MEETINGS

During the six month period the parent company had 9 meetings of directors. The attendances of the directors at meetings of the Board and its Committees were:

	Board of Directors		Committees	
Director	Attended	Maximum Possible Attended	Attended	Maximum Possible Attended
Dr C M Adam	8	9	0	0
Mr I D May	9	9	0	0
Mr A L Martin	9	9	0	0
Dr M M Venning	9	9	1	1
Mr C J Eade	9	9	1	1
Mr A P Bigum	9	9	1	1

The Committees of the Board of Directors consist of an Audit Committee.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

The company's policy for determining the nature and amount of remuneration of executive directors and senior executives of the company is governed by the Remuneration Committee reporting to the Board.

The remuneration structure seeks to emphasise payments for results through various salary package and reward schemes such as the company's Share Option Incentive Plan.

The objective of the company's remuneration planning is to both reinforce the short and long term goals of the economic entity and to provide a common interest between management and shareholders.

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS CONTINUED...

Details of Remuneration for the six month period ended 30 June 2005.

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the period was as follows:

		Primary					Post Employment			
Directors		Salary, Fees & Commi-ssions	Superannu-ation Contrib-ution	Cash Bonus	Non-cash Benefits Options	Motor vehicle Allowance	Superannu-ation	Equity	Other	Total
Mr C M Adam	(i)	25,000	-	-	3,487	-	-	-	-	28,487
Mr A L Martin		60,000	5,400	-	3,487	-	-	-	-	68,887
Mr I D May		95,000	8,550	-	-	20,000	-	-	-	123,550
Mr M M Venning	(i)	7,500	-	-	-	-	-	-	-	7,500
Mr C J Eade	(i)	7,500	-	-	-	-	-	-	-	7,500
Mr A P Bigum	(i)	7,500	-	-	-	-	-	-	-	7,500
		202,500	13,950	-	6,974	20,000	-	-	-	243,424

Specified Executives									
Mr M Capocchi	101,000	5,130	-	6,094	-	-	-	-	112,224
Mr M Risos	51,500	4,635	-	1,211	6,000	-	-	-	63,346
Mr D Ambry	42,500	3,825		1,333		-	-	-	47,658
Mr C Harrison	52,500	4,725	-	5,207	-	-	-	-	62,432
Mr M McPhillips	22,120	1,990	-	746	-	-	-	-	24,856
	269,620	20,305	-	14,591	6,000	-	-	-	310,516

(i) At 31 December 2004 and 30 June 2005 Directors fees are accrued and unpaid.

OPTIONS ISSUED AS PART OF REMUNERATION FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2005

No new options were granted as remuneration for the 6 month period ending 30 June 2005. Current year benefits relate to the value of options previously issued brought to account pro-rata to service provided to 30 June 2005.

NON-AUDIT SERVICES

The amounts paid to the auditor, Pitcher Partners, for non-audit services provided during the financial year by the auditor amounted to $29,109 as indicated in Note 22 to the Financial Statements.

The directors are satisfied that the provision of non audit services during the financial year:

- Is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001; and
- did not compromise the auditor independence requirements of the Act, because of the nature of the activity and the amount involved.

The above statements are made in accordance with the advice provided by the company's audit committee.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the company's auditors, Pitcher Partners, to provide the directors with a written Independence Declaration in relation to their audit of the financial report for the period ended 30 June 2005. The Auditor's Independence Declaration is attached and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors dated 30 September 2005.

Dr Colin Adam

Chairman

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Tele-IP Limited

In relation to the independent audit for the period ended 30 June 2005, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the Corporations Act 2001.

(ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners
PITCHER PARTNERS

M W PRINGLE
Partner

Melbourne 30 September 2005

Corporate Governance Statement

The Directors of Tele-IP Ltd are committed to protecting and enhancing shareholder value and conducting the company's business ethically and in accordance with the highest standards of corporate governance.

The Directors support the Principles of Good Corporate Governance and Best Practice Recommendations published by the Australian Stock Exchange (ASX) Corporate Governance Council in March 2003. Whilst we have, for some time, had corporate governance policies and practices that substantially comply with those set out in the recommendations, we have reviewed and updated our practices in the light of the council's recommendations.

In line with these recommendations and the requirements of the ASX Listing Rule 4.10 and in the spirit of good disclosure we now report on our compliance with each 'best practice' recommendation.

The Role of the Board of Directors

The Tele-IP Board is responsible to its shareholders for the protection and enhancement of long term shareholder value.

To fulfil this role the Board is responsible for the overall corporate governance of the Company including:

- setting of objectives, goals and corporate direction;
- adopting and monitoring progress of a strategic plan;
- adopting an annual budget and constant monitoring of financial performance;
- ensuring adequate internal financial, accounting and managerial controls exist and are appropriately monitored for compliance;
- developing, publishing, reviewing, implementing and monitoring corporate governance policy, the committee system, the company's constitution, codes of conduct, corporate management and legislative compliance;
- ensuring significant business risks are identified and appropriately managed;
- ensuring the Company maintains, at all times, the highest standard of business, financial and ethical behaviour;
- selecting and recommending new Directors, including the Managing Director, to shareholders;
- setting compensation arrangements for executive Directors and executive management after receiving recommendations from the Audit and Remuneration Committee;
- occupational health and safety issues and ensuring an appropriate system of management is implemented;
- reporting to shareholders; and
- approving decisions concerning the capital of the company, including capital restructures and significant changes to major financing arrangements.

The Role of Management

The Managing Director reports to the Board and is responsible for the operation and administration of the Company including the implementation of the Company's strategies, plans, policies and control programmes. He is supported by a management team whose responsibilities are delineated by formal authority delegations who meet regularly to co-ordinate activities and to review and monitor performance.

Board Processes

The board carries out its responsibilities according to the following general principles:

- the Board should be made up of a majority of Independent Directors;
- the Chairman of the Board should be an Independent Director;
- the roles of Chairman and Managing Director should not be exercised by the same person;
- the Board should meet on a monthly basis;
- all available information in connection with items to be discussed at a meeting of the Board shall be provided to each Director prior to that meeting; and
- Directors are entitled to seek independent professional advice.

To assist in the execution of its responsibilities the Board has established an Audit Committee with a formalised charter and operating principles. Activities which may be conducted by separate committees in a larger company such as Directors Nomination, Risk Management and Remuneration are dealt with by the full Board as a separate and specific agenda item in accordance with the principles and policies set down in the Company's corporate governance programme.

Appointment of Directors

The Directors determine the size of the Board with reference to the Constitution which provides that there will be a minimum of 3 Directors and a maximum of 10 Directors.

The Board considers that the selection and appointment of Directors is such an important task that it should be the responsibility of the entire Board to consider the nominations process. The structure of the Board is reviewed annually to ensure the Board has an appropriate mix of qualifications, skills and experience. Where a vacancy exists or there is a need for particular skills, the Board will determine the selection criteria and identify and appoint a suitable candidate. External advisors may be used in this process. Directors appointed by the Board must stand for re-election at the next meeting of shareholders.

There are no maximum terms set for non-executive director appointments. The Board does not agree with the setting of arbitrary limits on the tenure of non-executive directors. Instead, the tenure of directors is dependent on their ability to meet established performance criteria with performance being formally reviewed on an annual basis. Non-executive directors are subject to re-election by rotation at least every three years and retire by agreement at the annual meeting following their 72nd birthday.

Directors Independence

At the date on which the Directors' report is made out, the Board consisted of four non-executive Directors, each of whom are considered by the Board to be independent of management in terms of the ASX Corporate Governance Council's definition of independent Directors in that they do not have any business interest or other relationship that could materially interfere with the exercise of their judgment and ability to act in the best interests of the Company.

Board Performance Assessment

The Board has adopted a self-evaluation process to measure its own performance and the performance of its Committees.

On an annual basis, the Chairman facilitates a discussion and evaluation of the Board's performance. This includes discussions about the Board's role, processes, performance and other relevant issues.

Each director's performance is reviewed by the Chairman and Board prior to the director standing for re-election.

The process is conducted through the review and analysis of responses to a confidential questionnaire completed on issues surrounding meetings, work programmes, interaction with management and any perceived strengths and weaknesses of the Board and its committees.

Following a review of the content of the questionnaires by the Chairman a summary of the overall results is distributed to and discussed by the Directors. Significant issues identified or changes recommended are actioned in the Board's ongoing development programme.

If the contribution of a non-executive director appears to a majority of directors to be less than adequate or to be harmful to the good working of the Board, they may request the Chairman to inform that director accordingly and ask that person to consider his or her position on the Board. If the director takes no action in response, a circulated minute signed by a majority of directors will authorise the Company Secretary to inform the shareholders that the Board will not support the re-election of the director at the general meeting where they are next due to offer themselves for re-election.

Arrangements put in place by the Board to monitor the performance of the Group's key executives include:

- regular monthly reporting submitted to the Board and attendance at all Board Meetings by the CEO & CFO;
- a review by the Board of the Group's financial performance and revised forecast results on a quarterly and annual basis at Board meetings at which reports are presented by the key executives; and
- an evaluation of the detailed presentations made by the CEO and his direct reports during business planning / strategy meetings.

Retirement of Directors

One-third of the directors are required to retire by rotation at each Annual General Meeting (AGM). The directors to retire at each AGM are those who have been longest in office since their last election. Where directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A director must retire at the third AGM since last elected or re-elected.

A director appointed as an additional or casual director by the Board will hold office until the next AGM when the director may be re-elected. This re-election will be in addition to any rotational retirements.

The CEO (who is a director on the board) is not subject to retirement by rotation and is not to be taken into account in determining the rotation of retirement of directors.

Chairman's Appointment and Responsibilities

The chairman is appointed by the board from the non-executive directors. The chairman:

- provides appropriate leadership to the board and the Company;
- ensures membership of the board is balanced and appropriate for the Company's needs;
- facilitates board discussions to ensure the core issues facing the organisation are addressed;
- maintains a regular dialogue and mentor relationship with the CEO;
- monitors board performance; and
- guides and promotes the on-going effectiveness and development of the board and individual directors.

Conduct of Board Business

The Board normally holds monthly formal board meetings each year and will also meet whenever necessary to carry out its responsibilities. In the six months period to 30 June 2005, the board and/or its committees met 10 times.

When conducting Board business, directors have a duty to question, request information, raise any issue of concern, and fully canvas all aspects of any issue confronting the Company and vote on any resolution according to their own judgment.

Directors keep confidential board discussions, deliberations and decisions that are not publicly known.

Conflicts of Interest

Directors are required to continually monitor and disclose any potential conflicts of interest that may arise. Directors must:

- disclose to the Board any actual or potential conflicts of interest that may exist as soon as the situation arises;
- take necessary and reasonable steps to resolve any conflict of interest within an appropriate period, if required by the Board or deemed appropriate by that director; and
- comply with the Corporations Act requirements about disclosing interests and restrictions on voting.

Directors should discuss with the chairman any proposed Board or executive appointments they are considering undertaking and advise the Company of appointments to other companies as soon as possible after the appointment is made.

The same requirement exists for related party transactions including financial transactions with the Company. Related party transactions are reported in writing to the Company Secretary and, where appropriate, raised for consideration at the next board meeting.

Access to Information

Directors are encouraged to access members of the senior management team at any time to request relevant information in accordance with protocols adopted by the Board.

Where directors perceive an irregularity in a Company related matter, they are entitled to seek independent advice at the Company's expense.

Directors must ensure that the costs are reasonable and must inform the Chairman before the advice is sought. The advice must be made available to the rest of the Board.

Independent Professional Advice

Each director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

Code of Conduct

As part of the Board's commitment to the highest standard of personal and corporate behaviour, the company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- Responsibilities to shareholders;
- Compliance with laws and regulations;
- Relations with customers and suppliers;
- Ethical responsibilities;
- Employment practices; and
- Responsibilities to the environment and the community.

Share Trading Policy

The Company's Director & Employee Share Trading Policy aims to:

- protect stakeholders' interests at all times;
- ensure that directors and employees do not use any information they possess for their personal advantage, or to their clients' or the Company's detriment; and
- ensure that directors and employees comply with insider trading legislation of the various jurisdictions in which transactions may take place.

Purchase or Sale of Company's shares and/or options over such shares by Directors, Executives and Staff of the Company should only occur in circumstances where the market is considered to be fully informed of the Company's activities. This policy requires that the relevant person notify the Company Secretary of their intention to trade in the Company's shares and/or options over such shares prior to transaction and that the Company Secretary be required to discuss the proposed trading intentions with either the Chairman or the Managing Director. The Board recognises that it is the individual responsibility of each Director to carry this policy through.

Breaches of this policy may lead to disciplinary action being taken against, including dismissal in serious cases.

The Company's Employee Share Trading Policy is available on the Company's website.

Financial Reporting

The Board receives regular reports about the financial condition and operational results of the Company and its controlled entities. The CEO and CFO periodically provide formal statements to the Board that in all material aspects the company's financial statements present a true and fair view of the Company's financial condition and operational results.

The CEO and the CFO provide formal statements to the Board at each reporting date that, with regard to risk management and internal compliance and control systems of the Company for the period ended:

i. The statements made with respect to the integrity of financial statements and notes thereto is founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies adopted by the Board of Directors;

ii. The risk management and internal compliance and control systems to the extent they relate to financial reporting are operating effectively and efficiently in all material respects.

Convergence with Australian equivalent to International Financial Reporting Standards (AIFRS) is a key current financial reporting project. The Board has established an AIFRS committee consisting of internal resources and external consultants as required to ensure a smooth transition to AIFRS reporting, beginning with the half year ending 31 December 2005.

Details of the progress of the AIFRS implementation and the expected impact on the financial report for the six months ended 30 June 2005 are included in Note 1 to the financial statements.

The Company is expected to be in a position to fully comply with the reporting requirement of AIFRS for the financial year ending 30 June 2006.

Audit Committee

The Board has established an Audit Committee to consider certain issues and functions in further detail. The chairman of the Audit Committee reports on any matters of substance at the next full board meeting. All committee minutes are provided to the board.

The Audit Committee has its own terms of reference, approved by the Board and reviewed annually, with additional review when appropriate. The Chairman oversees all Committees and the CEO attends committee meetings where appropriate.

The members of the Committee at the date of this report are:

- Mr C Eade (Chairman)
- Mr A Bigum
- Dr M Venning

The Committee assists the Board to discharge its corporate governance responsibilities, in regard to the:

- business' relationship with, and the independence of, the external auditors;
- recommends appointment of external audit and fees;
- reliability and appropriateness of disclosure of the financial statements and external related financial communication;
- compliance with statutory responsibilities;
- reviews budgets and accounting policy;
- maintenance of an effective framework of business risk management including compliance and internal controls and monitoring of the internal audit function;
- adequacy of the Company's insurance programme, including directors' and officers' professional indemnity and other liability insurance cover; and
- undertakes any special investigations required by the Board.

The Committee provides a forum for the effective communication between the Board and external auditors. The Committee reviews:

- The annual and half-year financial report prior to their approval by the Board;
- The effectiveness of management information systems and systems of internal control; and
- The efficiency and effectiveness of external audit functions, including reviewing the respective audit plans.

The Committee invites the CEO, CFO, and the external auditors to attend Committee meetings where appropriate. The Committee also meets with and receives regular reports from the external auditors concerning any matters, which arise in connection with the performance of their respective roles, including the adequacy of internal controls.

Auditor independence

Best practice in financial and audit governance is evolving rapidly and the independence of the external auditor is particularly important to shareholders and the Board. To ensure that the Company's practices are up to date, the Board has adopted a Charter of Audit Independence that is reviewed regularly to keep it in line with emerging practices domestically and internationally.

The key points covered by the Charter include:

- rotation of the senior audit partner every five years;
- annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence;
- half yearly reporting on the levels of audit and non-audit fees; and
- specific exclusion of the audit firm from work which may give rise to a conflict.

Risk Management

Because of the importance of this function, the Board is responsible for ensuring appropriate measures are in place in order to manage risk in line with the Company's risk strategy. An external consultant has assisted the Board in this process.

The Audit Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Group's risk management and control framework.

The Company has implemented a risk management program that enables the business to identify and assess risks, respond appropriately and monitor risks and controls. Risk and compliance information is reported quarterly to the main Board.

The Company is exposed to the risk of unexpected financial and reputation loss from the way it conducts its business operations. To mitigate this risk, the Company has established a risk and assurance framework, which aims to:

- assist management to discharge its corporate and legal responsibilities; and
- assure management and the Board that the framework is effective.

Responsibility for control and risk management is delegated to the appropriate levels of management within the Group with the CEO having ultimate responsibility to the Board for the risk management and control.

Areas of significant business risk to the Group are highlighted in the Business Plan presented to the Board by the CEO each year.

The Board reviews and approves the parameters under which significant business risks will be managed before adopting the business plan.

Arrangements put in place by the Board to monitor risk management include:

- regular monthly reporting to the Board in respect of operations, the financial position of the group and new contracts;
- reports by the chairman of the Audit Committee;
- attendance and reports by the CEO, CFO and the Groups management team; and
- any director may request that operational and project audits be undertaken either internally or by external consultants.

The Board has also adopted reporting and other procedures which allow it:

- to monitor the Group's compliance with the continuous disclosure requirements of the ASX; and
- to assess the effectiveness of its risk management and control framework.

Remuneration

The Board considers that, due its small size, all members of the Board should be involved in determining remuneration levels. Accordingly it has not established a separate remuneration committee, rather, time is set aside at two Board meetings each year specifically to address the matters usually considered by a remuneration committee. Executive Directors absent themselves during discussion of their remuneration.

The remuneration of Non-executive Directors is determined by the Board having regard to the level of fees paid to non-executive directors by other companies of similar size and stature.

The aggregate amount payable to the Company's Non-executive Directors must not exceed the maximum annual amount approved by the Company's shareholders, currently $100,000 as determined at the 1999 Annual General Meeting.

The Company ensures that the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Share Option Incentive Plan was approved by shareholders in May 2005 and authorises the Directors to issue up to 10% of the issued shares.

The Company is committed to remunerating its senior executives in a manner that is market competitive, consistent with best practice and supports the interests of shareholders. The Company aims to align the interests of senior executives with those of shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

Consequently, senior executives' remuneration consists of the following elements:

- fixed salary;
- short-term incentive bonus based on performance;
- long-term incentive share[/option] scheme; and other benefits including superannuation.

Fixed Salary

The salary of senior executives is determined from a review of the market and reflects core performance requirements and expectations. In addition, the Company considers the following:

- the scope of the individual's role;
- the individual's level of skill and experience;
- the Company's legal and industrial obligations;
- labour market conditions; and
- the size and complexity of the Company's business.

Performance Bonus

The purpose of the performance bonus is to reward actual achievement by the individual of performance objectives and for materially improved company performance. Consequently, performance-based remuneration is paid where a clear contribution to successful outcomes for the company is demonstrated and the individual attains and excels against pre-agreed key performance indicators during a performance cycle.

Long-Term Incentives

The Company has a share option scheme that has been approved by shareholders in which senior executives may participate. The number of shares and options issued under the scheme is reasonable in relation to the existing capitalisation of the Company and all payments under the scheme are made in accordance with thresholds set in plans approved by shareholders.

Other Benefits

Senior executives are entitled to statutory superannuation and other bonus payments subject to the discretion of the Remuneration Committee.

Termination Payments

Senior executives may be entitled to a payment upon termination of employment from the Company. Where so entitled, the termination payment has been agreed in the senior executive's contract of employment and it is not payable where termination of employment is for misconduct.

The Company's Remuneration Policy is available on the Company's website.

Compliance

The Board is responsible for ensuring that adequate measures are undertaken to manage compliance. Specific responsibility for compliance has been delegated to the Audit Committee. To ensure proper compliance, an improved system of compliance management has been, and continues to be, implemented across the Company's businesses covering a broad range of legal requirements, duties and responsibilities.

Interest of Stakeholders

The Company's objective is to maintain and further develop its business to create wealth for shareholders and add value for customers and other stakeholders. To ensure this occurs, the Group conducts its business within the Code of Ethics, documented and outlined in the code of conduct section of this statement, and the Group's core values which are to:

- act with integrity and fairness;
- create a safe, challenging and fun workplace;
- recognise the needs of the community;
- protect the environment;
- be commercially competitive;
- foster a performance driven culture; and
- encourage innovation and technical leadership.

Communication with Shareholders

The Company is committed to increasing the transparency and quality of its communication to be regarded by our shareholders as an outstanding corporate citizen. Our approach to communication with shareholders and financial markets is set out in the Company's Market Disclosure Policy.

Information is communicated to shareholders through the distribution of the Annual Report and other communications as required. All significant information is posted on the Company's website as soon as it is disclosed to the ASX.

The guiding principle of the policy is that the Company must immediately notify the market via an announcement to the ASX of any information concerning the company that a reasonable person would expect to have a 'material' effect on the price of value of the company's securities.

The Board must ensure that company announcements:

- are made in a timely manner;
- are factual;
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions; and
- do not omit material information.

The Company's Market Disclosure Policy is available on the Company's website.

Annual General Meeting (AGM)

All shareholders are encouraged to attend and/or participate in the AGM. All directors, senior managers, Auditors and the Company Secretary attend the AGM.

Website Information

The Company has established a website at www.tele-ip.com Information lodged on this website in a specific corporate governance section includes:

- Board Charter
- Audit Committee Charter
- Risk Management Policy
- Materiality Disclosure Policy
- Remuneration Policy
- Election of Directors Policy
- Whistle Blower Policy
- Share Trading Policy
- CEO and CFO
- Disclosure Policy
- Shareholder Communication
- Code of Conduct
- Audit Independence Charter

The ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations can be viewed on the ASX website: www.asx.com.au.

Statements of Financial Performance		**Economic Entity**		**Parent Entity**	
For the 6 month period ended 30 June 2005	**Note**	**2005**	**2004**	**2005**	**2004**
	1	**(6 mths)**	**(12 mths)**	**(6 mths)**	**(12 mths)**
		$	**$**	**$**	**$**
Revenues from ordinary activities	2	1,450,534	6,907,592	1,029,144	4,370,883
Cost of sales	2	(1,327,124)	(5,244,185)	(689,585)	(2,977,751)
Depreciation and amortisation expense	2	(17,582)	(39,573)	(17,582)	(39,573)
Borrowing costs expense	2	(208,303)	(456,394)	(206,778)	(454,086)
Auditing and accounting expense	2	(54,684)	(60,831)	(54,684)	(60,831)
Consultancy and contractor expense	2	(116,635)	(283,730)	(116,635)	(100,156)
Legal and insurance expense	2	(85,117)	(178,045)	(31,720)	(104,631)
Employee benefits expense	2	(824,706)	(1,692,991)	(824,706)	(1,692,991)
Reconstruction costs provided	2	(350,000)	-	(350,000)	-
Deferred technology costs amortised	2	(77,667)	-	-	-
Other expenses from operating activities	2	(312,071)	(792,503)	(195,536)	(456,395)
Other expenses from non-operating activities	2	-	-	(184,382)	(331,677)
Loss from ordinary activities before income tax		(1,923,355)	(1,840,661)	(1,642,464)	(1,847,208)
Income tax benefit relating to ordinary activities	4	-	298,737	-	298,737
Net Loss		(1,923,355)	(1,541,924)	(1,642,464)	(1,548,471)
Total changes in equity other than those resulting from transactions with owners as owners		(1,923,355)	(1,541,924)	(1,642,464)	(1,548,471)
Basic earnings per share (cents)	21	(0.78)	(0.86)		
Diluted earnings per share (cents)	21	(0.71)	(0.76)		

The above Statements of Financial Performance should be read in conjunction with the accompanying notes.

Statements of Financial Position		**Economic Entity**		**Parent Entity**	
As at 30 June 2005	**Note**	**30-Jun**	**31-Dec**	**30-Jun**	**31-Dec**
	1	**2005**	**2004**	**2005**	**2004**
		$	**$**	**$**	**$**
CURRENTS ASSETS					
Cash assets		3,495,789	476,693	3,471,400	358,910
Inventories	5	790,904	1,137,922	232,690	572,378
Receivables	6	431,747	520,544	733,867	893,628
TOTAL CURRENT ASSETS		4,718,440	2,135,159	4,437,957	1,824,916
NON-CURRENT ASSETS					
Receivables	6	43,750	43,750	43,750	43,750
Other financial assets	7	-	-	1,006	6
Plant & equipment	8	97,780	89,466	97,780	89,466
Other	9	388,333	466,000	-	-
TOTAL NON-CURRENT ASSETS		529,863	599,216	142,536	133,222
TOTAL ASSETS		5,248,303	2,734,375	4,580,493	1,958,138
CURRENT LIABILITIES					
Payables	10	2,596,135	2,822,962	1,936,911	2,336,203
Provisions	11	572,624	158,329	572,624	158,329
Deferred revenue	12	-	97,057	-	97,057
TOTAL CURRENT LIABILITIES		3,168,759	3,078,348	2,509,535	2,591,589
TOTAL LIABILITIES		3,168,759	3,078,348	2,509,535	2,591,589
NET ASSETS		2,079,545	(343,973)	2,070,958	(633,451)
EQUITY					
Contributed equity	13	14,882,822	10,535,949	14,882,822	10,535,949
Accumulated losses	14	(12,803,277)	(10,879,922)	(12,811,864)	(11,169,400)
TOTAL EQUITY		2,079,545	(343,973)	2,070,958	(633,451)

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

Statements of Cashflows For the 6 month period ended 30 June 2005	**Note** 1	**Economic Entity** **2005** **(6 mths)** **$**	 **2004** **(12 mths)** **$**	**Parent Entity** **2005** **(6 mths)** **$**	 **2004** **(12 mths)** **$**
Cash flows relating to operating activities					
Receipts from customers		1,539,711	8,401,013	673,067	5,483,233
Payments to suppliers and employees		(1,898,859)	(8,863,927)	(940,055)	(6,063,628)
Research and development tax offset		-	298,737	-	298,737
Interest received		4,859	14,554	4,600	14,508
Interest and finance charges paid		(9,511)	(171,340)	(8,018)	(171,340)
Net operating cash flows	3	(363,800)	(320,963)	(270,406)	(438,490)
Cash flows relating to investing activities					
Purchases of property, plant and equipment		(5,647)	(20,313)	(5,647)	(20,313)
Proceeds - sale of NMS portfolio		109,545	50,000	109,545	50,000
Net investing cash flows		103,898	29,687	103,898	29,687
Cash flows relating to financing activities					
Net cash proceeds from share and rights issue transactions		4,958,998	4,813	4,958,998	4,813
Net cash proceeds - Loans		(1,680,000)	523,600	(1,680,000)	523,600
Net financing cash flows		3,278,998	528,413	3,278,998	528,413
Net increase in cash held		3,019,096	237,137	3,112,490	119,610
Cash at beginning of year		476,693	239,556	358,910	239,300
Cash at end of financial year		3,495,789	476,693	3,471,400	358,910

The above Statements of Cashflows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Tele-IP Limited and controlled entities, and Tele-IP Limited as an individual parent entity. Tele-IP Limited is a listed public company, incorporated 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 or, except where stated, current valuations of non-current assets. Costs are based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of Consolidation

The consolidated accounts comprise the accounts of the company and all entities controlled by the company. Control exists where Tele-IP Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Tele-IP Limited to achieve the objectives of Tele-IP Limited. A list of controlled entities is contained in Note 20 to the financial statements.

All inter-company balances and transactions between entities in the economic entity, including any unrealized profits or losses, have been eliminated on consolidation.

(b) Income tax

Tax-effect accounting procedures are followed, whereby the income tax expense (benefit) for the year is matched with the profit/(loss) from ordinary activities adjusted for any permanent differences.

Income tax set aside on cumulative timing differences is brought to account as either a provision for deferred income tax or as an asset described as future income tax benefits at the rate of income tax applicable to the period in which the liability will become payable or the benefit will be received.

The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation. The future income tax benefit relating to timing differences is not carried forward as an asset unless realisation is assured beyond reasonable doubt.

This policy will be impacted by the first time adoption of AIFRS.

(c) Plant & Equipment

Each class of plant and equipment is brought to account at cost less any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of its recoverable amount. Plant and equipment is depreciated on a diminishing value basis over the useful life to the economic entity commencing from the time each asset is held ready for use. The depreciation rates used range from 25% to 40%.

(d) Foreign Currency

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates at that date. Resulting exchange differences are brought to account in the Statement of Financial Performance for the year.

(e) Employee Benefits

Provision is made for the company's liability for employee annual leave and long service leave benefits arising from services rendered by employees to balance date. The liability for long service leave is measured in accordance with the relevant statutory requirements and is provided after five years service on the basis of current salary levels. Contributions made by the Company to employee superannuation funds are charged to the Statement of Financial Performance as expenses when incurred.

This policy will be impacted by the first time adoption of AIFRS.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials which are assigned on a weighted average cost basis.

(g) Deferred Income

Deferred income disclosed in Note 12 represents amounts received from customers in advance of the company's obligation to the contracted services. Income from these transactions is deferred and only recognised as and when the relevant services are provided.

(h) Cash

For the purpose of the Statements of Cash Flows, cash includes:

(i) Cash on hand and at call deposits with banks or financial institutions; and

(ii) Investments in short term money market instruments.

(i) Revenue Recognition

Revenue from the sale of goods and services is recognised upon delivery of goods or performance of services to customers. Interest revenue is recognised when the entitlement to receive interest is indefeasible.

(j) Financial Instruments

The Economic Entity has financial instruments in the form of cash on short term deposit; trade debtors which are receivable within the ordinary course of business and trade creditors which are payable in the ordinary course of business. The net fair value or credit risk exposure of these financial instruments is deemed to materially equate to the carrying value shown in the financial statements.

(k) Leases

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

(l) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the asset or expense cost. Receivables and Payables are shown in the Statement of Financial Position as inclusive of GST.

(m) Technology Costs Capitalised

Deferred technology costs in respect of products developed by a controlled entity have been capitalised for amortisation over a three year period commencing 1 January 2005.

This policy will be impacted by the first time adoption of AIFRS.

(n) Comparative Information

Pursuant to subsection 340(1) of the Corporations Act, the Australian Securities and Investments Commission provided an order to allow the company to change its balance date from December to June year end effective June 2005. The current reporting period covers six months ending 30 June 2005.

The comparative amounts disclosed in the financial report and related notes covers the last annual reporting period ending 31 December 2004 and are therefore not comparable as the lengths of the financial periods differ.

(o) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards

Australian reporting entities are required to comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as from financial years commencing 1 January 2005. Accordingly AIFRS will be first reflected in the economic entity's financial reports for the year ended 30 June 2006, therefore the date of transition to AIFRS for the company is 1 July 2005. On first time adoption of AIFRS, comparatives for the 6 month period ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments are required retrospectively against accumulated losses at 1 January 2005.

The Directors' have implemented an AIFRS Committee consisting of internal resources, and external consultants as required, to advise on the impact of specific accounting policy changes and to manage the transition to AIFRS, including technical evaluation, system design and implementation strategy.

The Directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences are as follows:

i) Share Based Payments

Under AASB 2: Share-based Payments, remuneration based share, rights and option issues must be expensed over expected vesting periods with a corresponding increase to equity. This will result in a change in the current accounting policy, which does not expense any share based payments but only recognises an increase in equity upon issue of shares.

The impact of this change in accounting policy will be an increase in accumulated losses and contributed equity by $58,442 at 1 January 2005 and an increase in the net loss by $11,659 for the 6 month period ended 30 June 2005.

ii) Intangible Asset

Deferred Technology costs currently recongnised , and amortised, would not be brought to account under AASB 138 Intangible Assets. Accordingly, the amount of $77,667 expensed as amortisation in the period ended 30 June 2005 would be written back and the total amount of deferred Technology costs capitalised in prior years would be de-recognised and written off to accumulated losses upon transition to AIFRS at 1 January 2005.

iii) Income Tax

Currently, the economic entity adopts the method of tax-effect accounting whereby the income tax expense is based on the accounting profit/(loss) adjusted for any permanent differences. Timing differences are currently bought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the economic entity will be required to adopt a balance sheet approach to determine deferred tax items.

On transition, the financial effect of this impact is assessed as nil, as the carrying amounts of assets or liabilities recognised in the financial report does not differ from its tax base value.

	Economic Entity 2005	Parent Entity 2005
Reconciliation of Net Profit		
Net loss reported under Australian Accounting Standards at 30 June 2005	(1,923,355)	(1,642,464)
Key transitional adjustments:		
- Recognition of remuneration based options payments	(11,659)	(11,659)
- Amortisation of Deferred technology costs written back	77,667	-
Total transitional adjustments	66,008	(11,659)
Net loss under AIFRS as at 30 June 2005	(1,857,347)	(1,654,123)
Reconciliation of Equity		
Total equity reported under Australian Accounting Standards at 30 June 2005	2,079,545	2,070,958
Retrospective adjustments to equity at 1 January 2005:		
- Recognition of remuneration based options payments: Contributed equity	58,442	58,442
- Recognition of remuneration based options payments: Accumulated losses	(58,442)	(58,442)
- Deferred technology costs derecognised	(466,000)	-
	(466,000)	-
AIFRS transactions to 30 June 2005:		
- Increase in contributed equity resulting from transition to AIFRS	11,659	11,659
- Increase in current year loss resulting from transition to AIFRS	66,008	(11,659)

Total equity under AIFRS as at 30 June 2005	1,691,212	2,070,958

(p) Provision for Reconstruction Costs

Directors have created a provision for the non-recurring and operating costs in connection with the impending acquisition of the business units referred to in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
2 PROFIT FROM ORDINARY ACTIVITIES				
Profit from ordinary activities before income tax is arrived at after taking into account:				
(a) Revenue				
Operating activities				
- Equipment and software sales	1,094,311	5,968,861	346,246	2,846,108
- Wireless installations and sales	21,084	143,172	21,084	143,172
- Business services	195,738	593,611	184,995	593,611
- Equipment hire	20,650	113,750	20,650	85,400
- Interest	4,859	14,554	4,600	14,508
- Other	4,347	23,644	293	20,294
	1,340,989	6,857,592	577,868	3,703,094
Non-operating activities				
- Management fees	-	-	341,731	617,789
- Sale of NMS portfolio	109,545	50,000	109,545	50,000
	109,545	50,000	451,276	667,789
Total revenue	1,450,534	6,907,592	1,029,144	4,370,883
(b) Cost of sales				
Opening inventories	1,137,922	1,617,594	572,378	1,617,594
Add: Purchases	980,106	4,764,513	349,897	1,932,535
	2,118,028	6,382,107	922,275	3,550,129
Closing inventories (refer Note 5)	(790,904)	(1,137,922)	(232,690)	(572,378)
	1,327,124	5,244,185	689,585	2,977,751
(c) Depreciation and amortisation expense				
- Depreciation of plant and equipment	17,582	39,573	17,582	39,573
(d) Borrowing costs				
Interest and bank charges paid				
- Director related entities	14,507	30,733	14,507	30,733
- Other persons	193,796	358,269	192,271	355,961
Facility fees for loans				
- Director related entities	-	13,791	-	13,791
- Other persons	-	53,601	-	53,601
Total borrowing costs	208,303	456,394	206,778	454,086
(e) Auditor remuneration (refer Note 22)	54,684	60,831	54,684	60,831
(f) Consultancy and contractor fees	116,635	283,730	116,635	100,156
(g) Legal and insurance expense				
- Legal costs	20,053	35,124	19,913	34,174
- Insurance	46,035	71,401	11,807	44,457
- Patents and trademarks	19,029	71,520	-	26,000
(h) Total legal and insurance expense	85,117	178,045	31,720	104,631
(i) Employee benefits expense	824,706	1,692,991	824,706	1,692,991
(j) Reconstruction costs provided	350,000	-	350,000	-
(k) Deferred technology costs amortised	77,667	-	-	-
(l) Other expenses from ordinary activities				
Operating activities				
- Accounting costs - non auditor	26,729	30,969	26,569	30,969
- Computer costs	24,160	79,262	22,882	76,456
- Directors fees	47,500	70,000	47,500	70,000
- Freight costs	37,924	97,442	3,622	-
- Other general administration	88,899	233,727	54,681	121,034
- Rent expenses	40,492	95,770	13,467	63,884
- Share registry costs	11,864	50,784	11,440	50,784
- Travelling expenses	33,903	125,094	14,775	33,813
Rental expense on operating leases				
- minimum lease payments	600	9,455	600	9,455
	312,071	792,503	195,536	456,395
Non-operating activities				
- Provision for non recovery of controlled entity loan	-	-	184,382	331,677
Loss from ordinary activities before income tax	(1,923,355)	(1,840,661)	(1,642,464)	(1,847,208)

NOTES TO THE FINANCIAL STATEMENTS

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
3 NOTES TO THE STATEMENTS OF CASH FLOWS				
(i) Reconciliation of net cash from/(used) in operating activities to profit/(loss) after income tax				
Operating profit / (loss) after tax	(1,923,355)	(1,541,924)	(1,642,464)	(1,548,471)
Depreciation	17,582	39,573	17,582	39,573
Increase / (decrease) in employee entitlements	64,295	4,656	64,295	4,656
Increase / (decrease) in creditors	1,061,253	78,802	887,789	(407,957)
(Increase) / decrease in debtors	43,097	804,442	15,892	980,666
(Increase) / decrease in prepayments	45,700	85,249	45,700	85,249
(Increase) / decrease in inventory	347,018	479,672	339,688	1,045,216
(Increase) / decrease in other assets	77,667	(166,750)	-	(750)
Increase / (decrease) in deferred revenue	(97,057)	(80,990)	(97,057)	(80,990)
Increase / (decrease) in unsecured loan	-	(23,693)	-	(23,693)
(Increase) / decrease in loan to controlled entities	-	-	(86,213)	(863,666)
Increase / (decrease) in provision for non recovery of controlled entity loan	-	-	184,382	331,677
Net cash from/(used) in operating activities	(363,800)	(320,963)	(270,406)	(438,490)

(ii) Non cash financing and investing activities
There were no non cash financing and investing activities undertaken by the Economic or Parent Entity during the year.

(iii) Credit Standby Arrangements
No credit standby arrangements existed either during the year or at the end of the financial period. Refer Note 23(iv) in regard to a bank facility arranged subsequent to the end of the financial period.

4 INCOME TAX EXPENSE
The prima facie tax expense (benefit) on the operating profit (loss) is reconciled to the income tax expense provided in the accounts as follows:

	Economic Entity 2005	Economic Entity 2004	Parent Entity 2005	Parent Entity 2004
Operating loss before income tax	(1,923,355)	(1,840,661)	(1,642,464)	(1,847,208)
Prima facie income tax benefit on the operating loss at 30% (2004: 30%)	(577,007)	(552,198)	(492,739)	(554,162)
Less:Tax effect of permanent and timing differences	107,828	(14,424)	131,491	66,409
Future income tax benefit not brought to account	469,179	566,622	361,248	487,753
Income tax benefit derived from Research and Development tax offset	-	298,737	-	298,737
Income tax benefit charged to Statements of Financial Performance	-	298,737	-	298,737

The parent entity and its wholly owned Australian subsidiaries have formed an income tax consolidated group. Accordingly, the benefits associated with income tax losses of the economic entity of approximately $6,716,736 (2004: $5,228,084), resulting from current and prior year operations, would be available, subject to the tax consolidation rules.

Potential future income tax benefits attributable to tax losses carried forward and timing differences as at 30 June 2005 have not been brought to account as an asset by the group companies.
The future income tax benefit, which has not been recognised as an asset, will only be obtained if:
(i) The group companies derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
(ii) The group companies continue to comply with the conditions for deductibility imposed by tax legislation;
(iii) No changes in tax legislation adversely affect the group companies in realising the benefit.

NOTES TO THE FINANCIAL STATEMENTS

		Economic Entity		Parent Entity	
		2005	2004	2005	2004
		$	$	$	$
5	**INVENTORIES**				
	Raw materials	351,195	561,275	220,629	561,275
	Work In Progress	363,843	466,428	12,061	11,103
	Finished Goods	75,866	110,219	-	-
		790,904	1,137,922	232,690	572,378
6	**RECEIVABLES**				
	Current				
	Trade debtors	425,111	468,255	276,092	292,031
	Less: Provision for doubtful debts	(20,000)	(20,047)	(20,000)	(20,047)
		405,111	448,208	256,092	271,984
	Other debtors and prepayments	26,636	72,336	26,636	72,336
	Loans to controlled entities	-	-	1,331,757	1,245,544
	Less : Provision for non-recovery	-	-	(880,618)	(696,236)
		431,747	520,544	733,867	893,628
	Non-Current				
	Rental security deposit	43,750	43,750	43,750	43,750
7	**OTHER FINANCIAL ASSETS**				
	Non-Current				
	Shares in controlled entities - unquoted	-	-	1,006	6

		Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
8	**PLANT & EQUIPMENT**				
	Office furniture and equipment - at cost	97,979	97,979	97,979	97,979
	Less: Accumulated depreciation	(77,457)	(73,060)	(77,457)	(73,060)
		20,522	24,919	20,522	24,919
	Motor vehicles - at cost	21,867	21,867	21,867	21,867
	Less: Accumulated depreciation	(16,097)	(15,260)	(16,097)	(15,260)
		5,770	6,607	5,770	6,607
	Computer and test equipment - at cost	303,052	277,157	303,052	277,157
	Less: Accumulated depreciation	(231,564)	(219,217)	(231,564)	(219,217)
		71,489	57,940	71,489	57,940
	Total plant and equipment	97,780	89,466	97,780	89,466

(a) Movements in Carrying Amounts
Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Office Furniture & Equipment	Motor Vehicles	Computer & Test Equipment	Total
Economic and Parent Entity				
Balance at the beginning of the year	24,919	6,607	57,940	89,466
Additions	-	-	25,896	25,896
Disposals	-	-	-	-
Depreciation expense	(4,397)	(837)	(12,349)	(17,582)
Carrying amount at end of year	20,522	5,770	71,487	97,780

		Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
9	**OTHER ASSETS**				
	Non-Current				
	Technology costs capitalised (refer Note 1 (m))	388,333	466,000	-	-
10	**PAYABLES**				
	Current				
	Creditors and accruals	2,000,085	1,266,362	1,340,861	779,603
	Rights issue monies received in advance	359,450	-	359,450	-
	Unsecured Loans				
	- Specified director related entities	80,000	80,000	80,000	80,000
	- Other loans	156,600	1,476,600	156,600	1,476,600
		2,596,135	2,822,962	1,936,911	2,336,203
11	**PROVISIONS**				
	Current				
	Provision for reconstruction costs (refer Note 1 (p))	350,000	-	350,000	-
	Provision for employee benefits	222,624	158,329	222,624	158,329
		572,624	158,329	572,624	158,329
	Number of employees at period end	15	13	15	13
12	**DEFERRED REVENUE**				
	Current				
	Deferred income (refer Note 1 (g))	-	97,057	-	97,057

NOTES TO THE FINANCIAL STATEMENTS

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
13 CONTRIBUTED EQUITY				
Issued and paid up capital:				
Ordinary fully paid shares	14,882,822	10,535,949	14,882,822	10,535,949

Movements in issued and paid up ordinary share capital of the company during the past two years were as follows:

		Note	No. of Shares	Issue Price (cents)	$
01.07.03	Opening balance		156,598,484		10,062,749
25.09.03	Issue of shares	(a)	22,222,222	2.25	500,000
31.12.03	Transaction costs arising on share issue				(31,612)
23.11.04	Issue of Shares	(b)	75,000	2.00	1,500
23.11.04	Issue of Shares	(b)	37,500	3.50	1,312
24.12.04	Issue of Shares	(b)	100,000	2.00	2,000
09.05.05	Rights Issue	(c)	237,500,000	2.00	4,750,000
30.06.05	Transactions costs arising on rights issue				(403,127)
Balance	30 June, 2005		416,533,206		14,882,822

(a) Allotment under prospectus dated 2 September, 2003

(b) Exercise of employee options under employee share plan. No amounts remain unpaid in respect of these shares.

(c) RIGHTS ISSUE

(i) In May 2005, 237,500,000 ordinary shares were issued at $0.02 per share fully paid pursuant to the company's 5 for 2 renounceable issue on a deferred settlement basis. These securities ranked equally and merged with existing quoted securities.

(ii) Refer Note 23 regarding subsequent placement of Rights Issue shortfall.

(d) OPTIONS OVER ISSUED CAPITAL

(i) 762,000 options were granted on 23 October 2001 to key employees on terms and conditions set out in the Company's Share Option Incentive Plan. These options are excersiable from 23 October 2001 at $0.05 per share, expiring 30 June 2006. During the period 1 January 2004 and 30 June 2005, 305,500 of these options lapsed.

(ii) 3,161,000 options were granted on 23 October 2001 to key employees with an expiry date of 30 June 2006 on terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 25% tranches on 1 July 2002, 2003, 2004 and 2005, and are exercisable at $0.05 per share. During the period 1 Janaury 2004 and 30 June 2005, 1,961,500 of these options lapsed.

(iii) 1,000,000 options were granted on 30 May 2002 to managing director, Mr Ian May. These options are exercisable from 30 May 2002 at $0.05 per share, expiring on 31 December 2006.

(iv) 3,000,000 options were granted on 30 May 2002 to managing director, Mr Ian May. These options are exercisable from 31 December 2002 at $0.08 per share, expiring on 31 December 2007.

(v) 3,000,000 options were granted on 30 May 2002 to managing director, Mr Ian May. These options are exercisable from 31 December 2003 at $0.08 per share, expiring on 31 December 2008.

(vi) 3,000,000 options were granted on 30 May 2002 to managing director, Mr Ian May. These options are exercisable from 31 December 2004 at $0.08 per share, expiring on 31 December 2009.

(vii) 1,125,000 options were granted on 18 March 2003 to key employees with an expiry date of 30 June 2008 on terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 25% tranches on 30 June 2003, 2004, 2005 and 2006, and are exercisable at $0.02 per share. During the 6 month period ending 30 June 2005, 225,000 of these options lapsed.

(viii) 1,250,000 options were granted on 17 May 2004 to key employees with an expiry date of 31 December 2006 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 33.33% tranches on 1 July 2004, 2005 and 2006, and are exercisable at $0.02 per share.

(ix) 1,712,500 options were granted on 1 July 2004 to key employees with an expiry date of 1 July 2007 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 25% tranches on 1 July 2004, 2005, 2006 and 2007, and are exercisable at $0.035 per share. During the 6 month period ending 30 June 2005, 562,500 of these options lapsed.

(x) 4,000,000 options were granted on 19 August 2004 to key employees with an expiry date of 31 December 2006 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 33.33% tranches on 31 December 2004, 2005 and 2006, and are exercisable at $0.05 per share.

(xi) 2,000,000 options were granted on 8 September 2004 - 1,000,000 options to chairman, Mr Colin Adam, and 1,000,000 options to deputy chairman, Mr Andrew Martin. These options are exercisable from 31 December 2004 at $0.06 per share, expiring 31December 2009.

(xii) 2,000,000 options were granted on 8 September 2004 - 1,000,000 options to chairman, Mr Colin Adam, and 1,000,000 options to deputy chairman, Mr Andrew Martin. These options are exercisable from 31 December 2005 at $0.10 per share, expiring 31 December 2010.

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
14 ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	10,879,922	9,337,998	11,169,400	9,620,929
Current year loss	1,923,355	1,541,924	1,642,464	1,548,471
Accumulated losses at the end of the financial year	12,803,277	10,879,922	12,811,864	11,169,400

15 FINANCIAL INSTRUMENTS

Interest rate risk exposure

The economic entity's exposures to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

2005	Floating Interest	Fixed Interest maturing 1 yr	Non-Interest bearing	TOTAL
Financial asset				
Cash assets	3,495,283	-	506	3,495,789
Receivables	-	-	431,747	431,747
TOTAL	3,495,283	-	432,253	3,927,536
Weighted average interest rate	2.11%	Nil	Nil	
Financial liability				
Payables	-	-	1,384,084	1,384,084
Loans	-	236,600	-	236,600
TOTAL	-	236,600	1,384,084	1,620,684
Weighted average interest rate	Nil	15.00%	Nil	
2004				
Financial asset				
Cash Assets	476,187	-	506	476,693
Receivables	-	-	520,544	520,544
TOTAL	476,187	-	521,050	997,237
Weighted average interest rate	3.32%	Nil	Nil	
Financial liability				
Payables	-	-	784,004	784,004
Loans	-	1,556,600	-	1,556,600
TOTAL	-	1,556,600	784,004	2,340,604
Weighted average interest rate	Nil	31.70%	Nil	

Credit risk exposures

The credit risk on financial assets, excluding investments, of the consolidated entity that have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts. The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers and counterparties and by performing extensive due diligence procedures on major new customers.

Net fair values of financial assets and liabilities

Net fair values at balance date of each class of financial asset and liability do not materially differ from the carrying amounts disclosed in the statement of financial position.

16 COMMITMENTS AND CONTINGENT LIABILITIES

The commitments set out below represent the greater of anticipated outlays versus minimum expenditure commitments on operating leases currently held in respect of the parent entity which are primarily rental leases.

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Expenditure commitments - Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:-				
Not later than one year	90,422	88,044	90,422	88,044
Later than one year but not later than 2 years	90,422	86,944	90,422	86,944
Later than two years but not later than 5 years	30,141	115,925	30,141	115,925
	210,984	290,913	210,984	290,913

Superannuation commitments

The company makes superannuation contributions to prescribed superannuation funds on behalf of employees and executive directors,as required by the Superannuation Guarantee legislation (currently 9%). The principal types of benefit are death, permanent disability and superannuation benefits upon retirement.

Executive Agreements

The maximum amount of contingent liability in respect of an employee service agreement is $230,000.

There are no other contingent liabilities for termination benefits with any directors or persons who participate in the management of the company or its controlled entities.

NOTES TO THE FINANCIAL STATEMENTS

17 DIRECTORS' & EXECUTIVES' REMUNERATION

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

Parent Entity Directors

Mr C M Adam	Chairman - Non-Executive
Mr A L Martin	Deputy Chairman - Executive
Mr I D May	Managing Director - Executive
Mr M M Venning	Director - Non-Executive
Mr C J Eade	Director - Non-Executive
Mr A P Bigum	Director - Non-Executive

Specified Executives and Top five most highly remunerated officers

Mr M Capocchi	Vice President - Global Sales and Distribution	
Mr M Risos	Senior Network Consultant	
Mr C Harrison	Sales Manager	
Mr M McPhillips	Financial Controller	resigned 30 June 2005
Mr D Ambry	Engineer	resigned 19 August 2005

(b) Parent Entity Directors' Remuneration

2005

		Primary					Post Employment			
		Salary, Fees & Commi-ssions	Superannu-ation Contrib-ution	Cash Bonus	Non-cash Benefits Options	Motor vehicle Allowance	Superannu-ation	Equity	Other	Total
Mr C M Adam	(i)	25,000	-	-	3,487	-	-	-	-	28,487
Mr A L Martin		60,000	5,400	-	3,487	-	-	-	-	68,887
Mr I D May		95,000	8,550	-	-	20,000	-	-	-	123,550
Mr M M Venning	(i)	7,500	-	-	-	-	-	-	-	7,500
Mr C J Eade	(i)	7,500	-	-	-	-	-	-	-	7,500
Mr A P Bigum	(i)	7,500	-	-	-	-	-	-	-	7,500
		202,500	13,950	-	6,974	20,000	-	-	-	243,424

2004

		Primary					Post Employment			
		Salary, Fees & Commi-ssions	Superannu-ation Contrib-ution	Cash Bonus	Non-cash Benefits Options	Motor vehicle Allowance	Superannu-ation	Equity	Other	Total
Mr C M Adam	(i)	25,000	-	-	13,409	-	-	-	-	38,409
Mr A L Martin		120,000	10,800	-	13,409	-	-	-	-	144,209
Mr I D May		190,000	17,100	-	-	40,000	-	-	-	247,100
Mr M M Venning	(i)	15,000	-	-	-	-	-	-	-	15,000
Mr C J Eade	(i)	15,000	-	-	-	-	-	-	-	15,000
Mr A P Bigum	(i)	15,000	-	-	-	-	-	-	-	15,000
		380,000	27,900	-	26,818	40,000	-	-	-	474,718

(i) At 31 December 2004 and 30 June 2005 Directors fees are accrued and unpaid.

17 DIRECTORS' & EXECUTIVES' REMUNERATION (cont'd)

(c) Specified Executives' Remuneration

2005

	Primary					Post Employment			
	Salary & Fees	Superannuation Contribution	Cash Bonus	Non-cash Benefits Options	Motor vehicle Allowance	Superannuation	Equity	Other	Total
Mr M Capocchi	101,000	5,130	-	6,094	-	-	-	-	112,224
Mr M Risos	51,500	4,635	-	1,211	6,000	-	-	-	63,346
Mr D Ambry	42,500	3,825		1,333		-	-	-	47,658
Mr C Harrison	52,500	4,725	-	5,207	-	-	-	-	62,432
Mr M McPhillips	22,120	1,990	-	746	-	-	-	-	24,856
	269,620	20,305	-	14,591	6,000	-	-	-	310,516

2004

	Primary					Post Employment			
	Salary & Fees	Superannuation Contribution	Cash Bonus	Non-cash Benefits Options	Motor vehicle Allowance	Superannuation	Equity	Other	Total
Mr M Capocchi	232,500	10,260	-	5,926	-	-	-	-	248,686
Mr M Risos	120,000	9,270	-	1,944	12,000	-	-	-	143,214
Mr C Harrison	105,000	9,450	-	4,803	-	-	-	-	119,253
	457,500	28,980	-	12,673	12,000	-	-	-	511,153

In accordance with AASB 1046, 2004 comparative figures for two specified executives are not disclosed due to resignations in the prior period.

The service and performance criteria set to determine remuneration are included per Note 17(h).

(d) Remuneration Options

No new options were granted as remuneration for the 6 month period ending 30 June 2005. Current year benefits relate to the value of options previously issued brought to account pro-rata to service provided to 30 June 2005.

(e) Shares Issued on Exercise of Remuneration Options

No options were exercised for the 6 month period ending 30 June 2005.

17 DIRECTORS' & EXECUTIVES' REMUNERATION (cont'd)

(f) Options and Rights Holdings

Number of Options held by Specified Directors and Executives

	Balance 1.1.05	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 30.6.05	Total Vested 30.6.05	Total Exer-cisable 30.6.05	Total Unexer-cisable 30.6.05
Parent Entity Directors								
Mr C M Adam	2,000,000	-	-	-	2,000,000	1,000,000	1,000,000	-
Mr A L Martin	2,000,000	-	-	-	2,000,000	1,000,000	1,000,000	-
Mr I D May	10,000,000	-	-	-	10,000,000	10,000,000	10,000,000	-
Mr M M Venning	-	-	-	-	-	-	-	-
Mr C J Eade	-	-	-	-	-	-	-	-
Mr A P Bigum	-	-	-	-	-	-	-	-
Specified Executives								
Mr M Capocchi	2,750,000	-	-	-	2,750,000	916,666	916,666	-
Mr M Risos	650,000	-	-	-	650,000	362,500	362,500	-
Mr D Ambry	845,000				845,000	578,125	578,125	
Mr C Harrison	2,500,000	-	-	-	2,500,000	833,333	833,333	-
Mr M McPhillips	465,000				465,000	293,125	293,125	
Total	21,210,000	-	-	-	21,210,000	14,983,749	14,983,749	-

(g) Shareholdings

Number of Shares held by Parent Entity Directors and Executives

	Balance 1.1.05	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.05
Parent Entity Directors					
Mr C M Adam	-	-	-	-	-
Mr A L Martin	30,455,799	-	-	-	30,455,799
Mr I D May	100,000	-	-	500,000	600,000
Mr M M Venning	2,547,031	-	-	6,367,578	8,914,609
Mr C J Eade	2,698,996	-	-	1,250,000	3,948,996
Mr A P Bigum	3,687,000	-	-	9,190,000	12,877,000
Specified Executives					
Mr M Capocchi	-	-	-	-	-
Mr M Risos	81,103	-	-	-	81,103
Mr D Ambry	-	-	-	-	-
Mr C Harrison	-	-	-	-	-
Mr M McPhillips		-	-	-	-
	39,569,929	-	0	17,307,578	56,877,507

*Net Change Other refers to shares purchased or sold on-market during the financial year

(h) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:-

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified executive directors and executives are paid employee benefit entitlements accrued to date of retirement. Specified executive directors and specified executives are paid minimum statutory payments in the event of redundancy. Any options not exercised 30 days after the date of termination will lapse.

The group seeks to emphasise payment for results through providing various reward schemes, specifically, the incorporation of incentive payments based on the achievement of sales targets. The objective of the reward schemes is to both reinforce the short and long-term goals of the company and to provide a common interest between management and shareholders.

NOTES TO THE FINANCIAL STATEMENTS

18 SEGMENT REPORTING

During the year the economic entity operated solely in the telecommunications sector within Australia.

19 RELATED PARTY TRANSACTIONS

	Economic Entity		Parent Entity	
	2005	2004	2005	2004
	$	$	$	$
Transactions with companies or firms in which directors of the company have an interest are conducted by the Parent Entity at commercial rates.				
Unsecured loan at call by Biotech International Pty Ltd a company related to Mr A P Bigum, a director of the parent company (Note 10)	80,000	80,000	80,000	80,000
Interest paid or payable at 15% in respect of the above related party loan included as an expense (Note 2)	14,507	30,733	14,507	30,733
Facility Fee paid or payable in respect of the above related party loan included as an expense (Note 2)	-	13,791	-	13,791

There were no other related party transactions during the reporting period ending 30 June, 2005.

Other fees and remuneration paid to directors and executive officers are disclosed in the Report of Directors and Note 17.

20 CONTROLLED ENTITIES

Investments in unquoted corporations being controlled entities:	Incorporated	Share class	Holding 2005	Holding 2004
Pacarc (PNG) Limited	Papua New Guinea	Ordinary	100%	100%
StratoSonde Pty Ltd	Australia	Ordinary	100%	100%
Beam Communications Pty Ltd	Australia	Ordinary	100%	100%
Telenet Rentals Pty Ltd	Australia	Ordinary	100%	N/A

Telenet Rentals Pty Ltd was incorporated on 27 June 2005, and did not trade from that date to 30 June 2005.

Business interests outside Australia

Pacarc (PNG) Limited — Papua New Guinea

NOTES TO THE FINANCIAL STATEMENTS

21 EARNINGS PER SHARE

	2005 cents	2004 cents
Basic earnings per share	(0.78)	(0.86)
Diluted earnings per share	(0.71)	(0.76)
Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share	247,265,250	178,834,336
Weighted average number of options outstanding	22,956,000	24,665,500
Weighted average number of ordinary shares used in the calculation of Dilutive Earnings Per Share	270,221,250	203,499,836
Earnings used in the calculation of Basic Earnings Per Share	(1,923,355)	(1,541,924)
Earnings used in the calculation of Dilutive Earnings Per Share	(1,923,355)	(1,541,924)

Dilutive Earnings Per Share:
All Potential Ordinary shares disclosed in Note 13 (d) are dilutive.

22 REMUNERATION OF AUDITORS

	Economic Entity		Parent Entity	
	2005 $	2004 $	2005 $	2004 $
Remuneration of the Auditor of the Economic and Parent Entities for:				
- auditing or reviewing the financial report	22,000	-	22,000	-
- registry services	-	7,847	-	7,847
	22,000	7,847	22,000	7,847
Remuneration of other member firm of the Pitcher Partners association				
- due diligence inquiries	7,075	29,696	7,075	29,696
- independent accountants report	20,634	-	20,634	-
- other services	1,400	-	1,400	-
- auditing or reviewing the financial report	3,575	23,288	3,575	23,288
	32,684	52,984	32,684	52,984
	54,684	60,831	54,684	60,831

23 EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events have occurred subsequent to balance date, the financial effects of which have not been recognised:

(i) RIGHTS ISSUE SHORTFALL PLACEMENTS
In accordance with the 2005 Rights Issue Prospectus and Listing rule 7.2 Exception 3, the directors announced the following Rights Issue shortfall placements subsequent to balance date:

15 July 2005 - 56,080,301 ordinary shares at $0.02 each fully paid to raise $1,121,606.
26 August 2005 - 21,550,000 ordinary shares at $0.02 each fully paid to raise $431,000.
20 September 2005 - 8,585,000 ordinary shares at $0.02 each fully paid to raise $171,700.

Ordinary shares issued as a result of these placements rank pari passu in all respects with fully paid ordinary shares.

(ii) PURCHASE OF NEW BUSINESS OPERATIONS
On 12 July 2005, the company announced the completion of contracts for the acquisition of two new business operations, PGS Communication Systems and Able Communications; consideration for which is satisfied by the issue of 54,750,000 ordinary shares at $0.02 per share plus $4,005,000 in cash on a deferred payment basis, principally derived from the proceeds of the 2005 Renounceable Rights Issue (refer Note 13)

23 EVENTS SUBSEQUENT TO REPORTING DATE (continued)

(iii) SALE OF SUBSIDIARY ASSETS

On 30 September, 2005, the parent company entered into a conditional contract for the sale of goodwill, plant & equipment, intellectual property and contractual rights owned by its subsidiary company, StratoSonde Pty Ltd, for a gst inclusive price of $1,105,500. The proposed purchasers include interests associated with Andrew Martin, a director of Tele-IP Limited and is subject to shareholder approval.

(iv) BANK FACILITY

Subsequent to balance date the company has arranged a bank facility of $500,000 which is secured by a debenture over the company's assets.

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes as set out in pages 15 to 32 are in accordance with the Corporations Act 2001:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2005 and of the performance for the period ended on that date of the company and economic entity;

2. the Chief Finance Officer has declared that:

   (a) the financial records of the company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial period give a true and fair view.

3. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors 30th September, 2005.

Dr Colin Adam
Chairman

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
TELE-IP LIMITED

Scope

We have audited the financial report of Tele-IP Limited and controlled entities for the financial year ended 30 June 2005 comprising the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements.

The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and Corporations Act 2001so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Tele-IP Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the financial year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional requirements in Australia.

Pitcher Partners

PITCHER PARTNERS

M W Pringle

M W PRINGLE
Partner

Melbourne 30 September 2005

Australian Stock Exchange Information

As at 23 September 2005

	Number	% of Class
KILLARNEY PROPERTIES PTY LTD	118,446,658	21.25%
ELECTRO MAGNETIC MEASUREMENTS PTY LTD	30,370,265	5.45%
KEACO CORPORATION PTY LTD	10,875,000	1.95%
VECVIN CORPORATION PTY LTD	10,875,000	1.95%
CLEVER MONEY PTY LTD	9,475,378	1.70%
TIM DON NOMINESS PTY LTD	9,449,902	1.70%
INVESTACOM PTY LTD	9,135,414	1.64%
VALUTECH PTY LTD	8,914,609	1.60%
BIOTEC INTERNATIONAL PTY LTD	7,441,000	1.33%
ORANGE SUN INVESTMENTS LTD	7,224,951	1.30%
GALVIN DURWARD	6,600,000	1.18%
GEORGE SMITH	6,600,000	1.18%
PAUL STOCKER	6,600,000	1.18%
STRATFORD BANNER PTY LTD	6,600,000	1.18%
ERIC TWIRDY	6,600,000	1.18%
STOYLE HOLDINGS PTY LTD	5,697,743	1.02%
BIOTEC INTERNATIONAL PTY LTD	5,425,000	.97%
BELL-ALLEN HOLDINGS PTY LTD	5,000,000	.90%
MR JOHN RICHARDS +	4,863,476	.87%
IAN D REID	4,862,476	.87%
Top Twenty Total:	281,056,872	
Total issued:	557,498,511	

UNQUOTED OPTIONS

The following directors of the company hold the following options:

Colin Adam	2,000,000
Andrew Martin	2,000,000
Ian May	10,000,000

in total representing 64.7% of the total number of 21,646,000 options on issue to 10 holders.

VOTING RIGHTS

There are 557,498,511 ordinary fully paid shares held by 2,487 members and these are the only class of share currently issued. The Company's Constitution provides that every member present in person, by proxy by corporate representative or by appointed attorney shall on the show of hands have one vote. In a poll, the vote is determined pro-rata to the amount paid up, if shares are paid up to different amounts.

Substantial Shareholders

	Number	% of Class
Killarney Properties Pty Ltd	118,446,658	21.25%
Electro Magnetic Measurements Pty Ltd	30,370,265	5.45%

Directors' Interests

	Shares	Options
Mr C M Adam	-	2,000,000
Mr A L Martin	30,455,799	2,000,000
Mr I D May	600,000	10,000,000
Mr M M Venning	8,914,609	-
Mr C J Eade	3,948,996	-
Mr A P Bigum	12,877,000	-

Distribution of Shares

Size of Holdings	Number of Holders	Number of Shares	%
1 - 1,000	348	181,422	.03
1,001 - 5,000	605	1,732,559	.31
5,001 - 10,000	366	3,019,365	.54
10,001 - 100,000	744	30,916,008	5.55
100,001 and Over	424	521,649,157	93.57
Total	2,487	557,498,511	100.00

HOLDERS OF LESS THAN A MARKETABLE PARCEL OF QUOTED ORDINARY SHARES

Number of Holders	% of Total Holders	Number of Shares	% of Total Quoted Shares
1586	63.77%	9,317,638	1.67%