Annual Report/03

PRACOM

Notice of AGM:

Notice is hereby given the Annual General meeting of the company will be held at St. Michael's Centre (behind St. Michael's Church) 120 Collins St Melbourne on Wednesday 19th November 2003 at 11am.

ACN 078 675 153

Contents

Chairman's Statement

During the year ended June 2003 Pracom completed the strategic changes and restructure that had been foreshadowed at the previous Annual General Meeting.

The significant restructuring and consolidation of the business elements has led to a leaner organisation more focused on core business and able to operate with significantly reduced costs.

This has enabled Pracom to deliver an improved performance in a year that has continued to provide considerable challenges for the services, telecommunications and technology business sectors. The Board expects that these changes will provide the basis for the return to profitability and strengthening of the balance sheet, which has been eroded by a more conservative view of intangible assets and two years of losses.

A number of board changes have taken place during the last year. Mr. Bruce Carter, co-founder of Pracom, retired from executive responsibilities in December and will continue his association with the Company as a Non-Executive Director. Two former directors, Michael Wilton and Terry Winters resigned from the Board late in 2002 and I wish to thank them for their valued contribution during their four years of office.

As I will be retiring at the Annual General Meeting in November and not be standing for re-election, I thank each of my fellow Directors for their counsel, support and commitment to Pracom during an extremely demanding time.

Finally, on behalf of my fellow Directors I also thank all the employees of Pracom and our valued customers and suppliers for their continued support during 2003.

John Grigg.

Chairman.

MANAGING DIRECTOR'S REVIEW for Year Ended 30 June 2003

On behalf of Pracom Ltd, I have pleasure in presenting my report for the financial year ended 30 June 2003. As communicated in our last two Directors' Reports, Pracom has been undergoing a complete restructure and consolidation of its business activities with the aim of returning the business to a sound financial footing with a sustainable profit. A strategic plan that was developed early in 2002 has now been fully implemented across the business, and has seen Pracom refocus on its core strengths providing outsourced business process services.

Whilst the rate of change within the organisation has created significant cost and pain, at an operating level the financial results for the year show a dramatic improvement. A key objective in the last year has been a significant reduction in bank debt and the Board is pleased to advise that gross debt levels have been reduced by 25% in the 12-month period. The hard work and tough decisions implemented over the year have positioned Pracom to again improve the financial performance in the coming financial year.

Key operating results for the Year Ended 30 June 2003, include:

+ Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $1.7m, including once-off restructuring charges of $0.8m, which is an improvement compared to last year of over $6.6m;
+ The improved EBITDA has been achieved from revenue of $76m, down from $178m, following the sale of two loss-making business units over the last 18 months;
+ When measured at EBIT level before reassessment of asset values, the company has reported an operating loss before interest and tax of $2.9m, an improvement of $13m against the previous comparable period;
+ A net loss before tax of $5.3m compared to a loss in 2001/02 of $95.3m, (including all re-assessment of asset values within the business); and
+ Cash on hand of $4.3m after a reduction in bank debt of over $5m in the year.

These financial results demonstrate substantial improvement in the operating performance, however the Board is cognisant of the challenge ahead to rebuild the balance sheet in order to provide financial strength for the future.

Consolidated Financial Performance

Summarised operating results are as follows:

	Year ended 30 June 2003 (A$ 000)	Year ended 30 June 2002 (A$ 000)
Sales revenue	76,411	178,546
Profit/(loss) before tax	(5,354)	(95,336)
Reconciliation of Profit/(Loss) Before Tax		
EBITDA - Continuing Business	4,591	1,359
EBITDA - Discontinuing Business	(2,099)	(4,877)
Operating EBITDA	2,492	(3,518)
Restructuring charge	(817)	(1,382)
EBITDA	1,675	(4,900)
Depreciation	(3,954)	(6,770)
Amortisation	(599)	(4,291)
EBIT before Asset Value Reassessment / Sale of Business	(2,878)	(15,961)
Net Profit/(Loss) on Sale of Business	(784)	1,026
Re-assessment of asset carrying value	-	(79,019)
EBIT	(3,662)	(93,954)
Net interest	(1,692)	(1,382)
Profit/(Loss) before tax	(5,354)	(95,336)
Tax	(3,322)	10,086
Profit/(Loss) after tax	(8,676)	(85,250)

MANAGING DIRECTOR'S REVIEW for Year Ended 30 June 2003

Pracom Today

Pracom is primarily an outsourced services company, focussed on delivering to major corporate customers a range of specialist outsourced services that require the combination of skilled people, efficient business processes and in-house developed intellectual property. Pracom has delivered this type of service for over 15 years and is recognised as an expert in this field. Grouped as the Services Division, these activities represent 90% of revenue and profits in the current market.

In addition to the Services Division, Pracom has an investment in world-class telecommunications software that has been OEM-licensed to Intel. Recently launched as Pracom Oasis, this software is also sold by the Technology Division to a variety of value-added resellers (VARs) around the world and it provides a platform for the delivery of advanced IVR and speech recognition solutions to telecommunications companies and other corporations. Having invested significant research and development into its products over the last ten years, the Technology Division has been reshaped, enabling it to take advantage of our unique competitive advantages in a global market that is showing some signs of improvement.

COMMENTARY ON FINANCIAL PERFORMANCE

Given the significant change in the company over the last 12 months, further explanation of key financial aspects of the business is appropriate.

Revenue

The significant reduction in revenue, against the previous comparable period, is a result of the sale of two loss-making divisions, the Retail Division (May 2002) and the Infrastructure Services Division (December 2002). Ongoing business activities in their current form are expected to generate over $50m in revenue in the 2003/04 financial year. The majority of this revenue will be generated from the Services Division.

Bank Debt Reduction

Pracom has worked closely with its bankers in reviewing and reducing the level of long-term debt. Net debt, which allows for cash-on-hand, has been reduced to $12.6m following repayments in the year of $5.1m. Further debt reductions are planned in 2003/04 and we will continue to work closely with the bank to manage ongoing levels of debt. The Pracom Board has received formal confirmation from the bank of their ongoing support for the company's business plan for the next 12 months.

Depreciation and Amortisation

Pracom has received the benefit this year of the reduction in depreciation and amortisation charges resulting from the significant write-downs in asset values in the prior financial year. Tight control on capital expenditure in the last 12 months will deliver a further reduction in depreciation charges during the coming year.

Revaluation of Tax Assets on the Balance Sheet

Given the pending change in the Australian tax consolidation regime, the Pracom Board has reviewed the appropriateness of accumulated tax losses on the Balance Sheet. Following that review, the Directors have determined that a more conservative view of the recovery of the value of these assets is appropriate and has taken the decision to reduce the net value of accumulated tax losses on the balance sheet as a non-cash, non-operational item by $2.5m.

Once-off Fraud Issue

A Pracom business unit was subjected to a well-orchestrated fraudulent use of its services over a two-month period during the year. The amount of loss is potentially around $1m and aggressive action is being taken to recover as much of that loss as possible. As recovery cannot be quantified at this time, the Board has taken the conservative position of providing for the full amount of the outstanding debt. Internal managers and external experts have reviewed systems and procedures with significant changes to strengthen operating controls being implemented to ensure that this action is prevented in the future.

General Reduction in Overheads

An aggressive review of the costs structure of the business has resulted in significant reductions in overheads across the business, which will assist in the overall improvement in financial performance. Substantial savings have been achieved by increased use of technology, smarter processes and implementation of tighter cost controls, all of which will contribute to improved financial performance in the future.

SIGNIFICANT ACTIVITIES

Sale of Infrastructure Services

Pracom completed the sale of its Infrastructure Services business unit to Eftnet Technologies Ltd on 23 December 2002. Infrastructure Services, which was focussed on the construction and office fit out industry for electrical, voice and data cabling services, contributed a loss of $2.4m for the full financial year. Funds received from the sale were directed towards reducing bank debt.

MANAGING DIRECTOR'S REVIEW for Year Ended 30 June 2003

Change in Directors and Management

Mr Bruce Carter, one of the business founders, retired from executive duties with the company as at 31 December 2002 and continues as a Non-Executive Director. Following the completion of the recent strategic changes, the Chairman, Mr John Grigg, has indicated that he wishes to retire at the 2002/03 Annual General Meeting and will not seek re-election as a Director. Mr Darryl Phillips, currently an independent Non-Executive Director, will assume the role of Chairman, however no replacement directors will be appointed at this time. Two former directors, Michael Wilton and Terry Winters, resigned from the Board during the year and the Board would like to thank them for their significant contribution to the company during difficult times.

Following these changes, continuing Directors on the Board of Pracom will be:

+ Darryl Phillips, Chairman and Non-Executive Director;
+ Bruce Carter, Non-Executive Director;
+ Rex Wood-Ward, Non-Executive Director; and
+ David Paranthoiene, Managing Director.

Following the implementation of the strategic plan over the last 18 months, Michael Corry, Chief Financial Officer and Company Secretary, left the company in September 2003, with the Board's thanks for his contribution during a period of significant change. His replacement is Elaine Farrelly, who will be promoted from General Manager, Commercial to the new position of Executive General Manager, Finance & Commercial and Company Secretary. Ray South will continue as Assistant Company Secretary.

OUTLOOK

With the strategic plan now fully implemented, management have spent the last six months on retaining and growing revenue from existing customers whilst pursuing new opportunities.

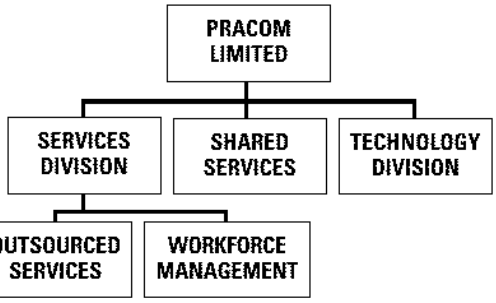
The simpler business plan, with a focus on outsourced services, is starting to deliver results, with recent new business expected to add significantly to our call centre activity for 2003/04.

The Board is, however, concerned at the thin financial base on which the company is operating after significant losses over the last two years and the entire Pracom team is working diligently at rebuilding the Balance Sheet by delivering profits and lowering debt.

New opportunities continue to be challenging to unearth but the Pracom Sales Team are working hard on broadening the customer base to ensure that financial growth targets are met. Pracom is expecting continued pressure on operating margins throughout the coming year, and will ensure that the business continues to operate on the leanest possible cost base, whilst protecting skills and capability to deliver excellent service to its customers.

REVIEW OF PRACOM OPERATIONS

During the year, Pracom continued to operate with two primary divisions as shown below, which were supported by a Shared Services team. The financial performance of each division is set out in the segment reporting in the enclosed financial report.



SERVICES DIVISION

The Services Division creates and delivers a range of innovative outsourced services through the combination of people, process and technology to major corporations in Australia.

There are two separate business units within the division – Outsourced Services Group and Workforce Management Services – both of which draw on a range of skills and processes as well as internally developed intellectual property to deliver a broad spectrum of services. Pracom's Services Division's competitive advantage lies in its ability to provide an end-to-end customised solution through combining skilled people, business process engineering and its own internal intellectual property to deliver a complete service, thereby adding significant value to our customer's business activities. Whilst the Services Division has been traditionally focussed on the telecommunications industry, new opportunities in different industry sectors are also being aggressively pursued and are now starting to contribute material revenue to the division.

The Services Division represents the major portion of the company's revenue, with over $71m being recorded for the full financial year, including $13m from Infrastructure Services, which was sold during last financial year. Segmented results for the Services Division show a contribution to the company results of $5.1m for the full year, which include operating losses for the discontinued business unit of $2.4m.

MANAGING DIRECTOR'S REVIEW for Year Ended 30 June 2003

Outsourced Services Group (OSG)

The Outsourced Services Group continues to focus on the delivery of a broad range of services within three key skill sets:

+ Customer Contact Centres – managing inbound and outbound calls and delivering customer service information on behalf of a range of clients. Utilising Pracom's own call centre systems, there is currently capacity for over 450 specialists in contact centre activities.
+ Order Management – combining specialist logistics management with business processes to manage a high volume of low value orders for a range of goods and services such as mobile phones and accessories.
+ Billing Solutions – the delivery of carrier-based, cost-controlled systems for telecommunications charges, built on Pracom's technology that allows real time control of call charges. In the Australian market, moBIZ is the most prominent example of a Pracom billing solution – see it at www.moBIZ.com.au.

OSG concentrates on delivering a flexible suite of service components for an end-to-end solution, with customers able to select and match relevant components of Pracom's skill set to meet their specific requirements.

While much of OSG's revenue is based on contractual relationships with its customers, operating margins continue to be under the usual commercial pressure, against a background of strong competition for existing contracts. Whilst some contracts complete their term without renewal and other existing contracted services are renegotiated, new business is aggressively being sought by the Pracom Sales Team and some successes have been recorded over the last six months in securing new business.

Workforce Management Services (WMS)

Utilising Pracom's proprietary intellectual property, Workforce Management Services has developed business processes to manage a diverse technical field workforce of over 300 contractors and direct employees who undertake over 20,000 broadband/telephony installations a month on behalf of telecoms carriers around Australia. A majority of the activity in the last 12 months has been focussed on installations of broadband internet via cable, copper telephony and Pay TV into residential properties, and in the last six months Pracom has renewed its contract with Optus to continue the delivery of these services for the next two years.

Growth within WMS will come from industry sectors other than telecommunications, and discussions are well advanced with a number of potential customers, on how Pracom can add value to their overall customer offering by utilising its unique intellectual property, intelligent business process engineering and skilled technical workforce. The Workforce Management systems efficiently manage the complete spectrum of tasks for a field workforce, such as:

+ efficient electronic job allocation and monitoring;
+ timely control of job completion with online reporting to the customer;
+ quality assurance to ensure the work completion and high levels of customer service;
+ consolidated invoicing to the customer for all jobs completed by period;
+ payment to a broad range of field-based individual contractors; and
+ establishment and monitoring of key performance indicators, including detailed reporting.

TECHNOLOGY DIVISION

As part of the restructure of the business over the last 18 months, the Technology Division was refocussed on the development and sale of world-class call control solutions for telecommunications switching environments, based on the Steadycom intellectual property and the Intel Open Programmable Server. The flat global market for telecommunications technology has restricted capital expenditure by carriers on new technology, resulting in the Technology Division reporting disappointing revenue of \$5.2m and a negative contribution to the company results of -\$3.8m for the year. However Pracom has created significant momentum in the last six months following the release of the new Oasis platform, which combines all the extended features of the Steadycom application development tools with the Intel technology in a single box. A significant number of quotations and negotiations for Pracom Oasis installations have been undertaken over the last six months, which are expected to convert to revenue within this financial year.

Oasis is an advanced telco-grade open switching platform that integrates premium Intel hardware and offers high density, high- reliability and high scalability to global enterprise customers or telecommunication customers. Oasis allows users to rapidly develop and deploy a range of value-added applications including voice recognition systems such as voice-activated diallers, audio conferencing, unified messaging and a complete range of prepaid telecommunications products for long distance, mobile and internet usage.

Whilst the market is far from booming, Pracom has noticed a steady increase in the number of enquiries and qualified sales prospects over the last six months.

MANAGING DIRECTOR'S REVIEW for Year Ended 30 June 2003

An aggressive sales plan has been established for Oasis in the Asia-Pacific region over the coming 12 months and Pracom will continue to work closely with its value-added resellers throughout the region to achieve this goal.

SHARED SERVICES

The provision of support services for the operating divisions of the company is undertaken through Shared Services, which includes a centralised credit function, financial and management accounting, IT operations, human resources and general administration, including property and insurance. This team has been significantly reduced in size over the last 12 months to reflect the overall reduction in the business and continues to offer efficient services across the group, with the costs to operate Shared Services dropping by $11m to $5.8m.

SUMMARY

Being a services business, the balance sheet has historically had a large reliance on intangible assets. Following the decision to take the conservative view on intangible values, which has resulted in write-offs, Pracom has to rebuild the balance sheet, either by making and retaining profits or by raising capital to strengthen the financial resources of the company.

The strategic changes implemented over the last 12 months will form the basis for a sustainable future for the company and the Board is convinced that the operational strategy of the business can generate profits to the company in the immediate future. The coming year is expected to deliver a sound performance from the Pracom Services Division in delivering services based on 16 years experience as well as the conversion of momentum to sales within the Technology Division.

However, the Board is concerned at the combined impact on the Balance Sheet of the significant losses and revaluation of intangible assets over the last two years. The entire Pracom team is totally committed to rebuilding the Balance Sheet by delivering profits and lowering debt, as well as undertaking a strategic review of the capital structure of the business with the goal of returning the company to a solid and profitable business.

David Paranthoiene

Managing Director

Pracom Directors

John Grigg

Chairman

Mr Grigg joined the Board in January 2001. With 25 years experience in the information technology industry in Australia, USA, Europe and Asia, he brings considerable global expertise to the Board. He has held board positions in Australia in the information technology, outsourcing and utilities industries, and in a number of government and charitable institutions. He is a fellow of the Institute of Company Directors.

David Paranthoiene

Managing Director

As a founding principal of Pracom Limited, David has devoted the past 15 years to Pracom and the telecommunications industry. Prior to this, David's background centered around business operations within service enterprises. David is committed to ensuring Pracom builds a sustainable business that delivers acceptable returns to shareholders.

Bruce Carter

Non Executive Director

A founding principal of Pracom Limited, Bruce was responsible for the start up of the company and retired from Executive duties in December 2002 after 14 years of service. With a focus on strategic development and building relationships with major technology partners, Bruce will continue to contribute as a non executive director, drawing on his background in commerce and management systems, having previously worked as a consultant for Coopers & Lybrand.

Rex Wood-Ward

Non Executive Director

With over 30 years of international experience in general management, mergers and acquisitions, corporate strategy and structuring, Rex has been a director of several public companies on three continents. Having led its IPO on the ASX in 1995, Rex remains non-executive Chairman of Corporate Express Australia Limited, and is also a non-executive director of Lighting Corporation Limited and Skydome Holdings Limited, both ASX listed companies.

Darryl Phillips

Non Executive Director

Darryl brings to the company his 40-year track record in innovation, general business management, fund management, marketing and communications. He has founded, developed and managed successful companies and groups in South Africa, the United Kingdom and Australia in the investment, advertising, marketing and software industries.

Darryl has been Chairman, CEO and a director of several exceptionally successful privately held organisations as well as fulfiling these same responsibilities on behalf of a London Stock Exchange listed company. Darryl is contributing to strategic planning and his extensive marketing and communications experience is assisting in the development of successful opportunities and lateral solutions.

Pracom Management

Elaine Farrelly

Executive General Manager, Finance & Commercial

Elaine joined the company in early 2001 and brought to Pracom her extensive experience in commercial and financial management. Elaine has implemented and managed strategic and operational planning processes, identified profit improvement and expansion opportunities, and managed finance departments, while working in senior roles for companies such as Optus, Fairfax, ICI Australia (Orica) and KPMG. Elaine holds a Bachelor of Commerce Degree, majoring in Accounting and Commercial Law from the University of Melbourne and is a member of the Australian Institute of Chartered Accountants.

Dawn Lackie

Manager, Risk Mitigation & Corporate Services

Dawn has held senior positions in both the telecommunication and FMCG industries in New Zealand, Australia and Great Britain. Having recently joined Pracom, Dawn brings a wealth of experience in credit, risk and human resource policy and procedure. Dawn is responsible for the facilitation of business continuity and risk mitigation across Pracom's business units in line with best practices. She is also responsible for the human resource activities across the business, directing and maintaining a corporate workforce plan to ensure optimum development of employees, and adherence to workplace safety, equal employment and privacy policies.

SERVICES DIVISION

Robert Farmer

Executive General Manager, Outsourced Services Group

Rob has over 10 years' experience in the telecommunications industry and has been with the Pracom Group since early 1995. Having held a range of roles within Pracom, Rob is now responsible for the management of the Outsourced Services Group. As well as being responsible for key customer relationships and commercial management, Rob drives new growth opportunities encompassing outsourced services and hosted technology solutions.

John Gramc

Executive General Manager, Workforce Management Services

John has over 20 years of experience in managing products and services in the telecommunications sector within Australia and Asia. His current role at Pracom is to provide value added solutions in field workforce management for his key customers within the telecommunications and other industries on a national basis. John's manadate is to promote and grow the core competencies of resource management and quality systems within the Australian market place.

Pracom Management

Glenn McCluskey

General Manager, Sales and Marketing

Glenn has over 20 years experience in the Telecommunications industry having held senior positions in both Australia and USA. Glenn has extensive sales and marketing experience. Such experience has been gained across several industries and many international markets. Having been instrumental in setting up the Cellular Division for Motorola in Australia, Glenn has managed several businesses focusing primarily on strategic direction and revenue growth. Glenn's focus is on driving such growth in the Services Division of Pracom.

TECHNOLOGY DIVISION

Greg Steer

Senior Vice President and Head of Technology

Greg is one of the founders of Steadycom Limited, acquired by Pracom in 2000. Joining Pracom as Chief Technology Officer, Greg is the Senior Vice President of Technology Strategy and is responsible for Pracom's global technology strategy. Greg has been involved in the development of the unique Steadycom Platform and is instrumental in its continuing domestic and global success. He has over 13 years' experience in telecommunications and computer telephony technology and has an extensive background in the management of sales, business development, strategic partnerships, technology development and product management.

John Dimitropoulos

Senior Vice President, Strategic Development

John has developed strong international experience in predominantly commercial and financial roles. John has been involved in the telecommunications industry for over 14 years. Originally working with Nortel in London and New York, John returned to Australia and took up the role of Business Consultant with Tabcorp Limited. He moved to Optus Vision as Commercial and Operations Manager, before joining Pracom in 1997 as Chief Executive Officer for Total Tel Limited. John holds a Bachelor of Business (Accounting and Computing).

Howard Gross

Senior Vice President, International Business Development

Howard has had considerable accomplishment in building international sales and operations organisations. A native of Canada, he held positions of Vice President of Operations for Perception Canada, Perception Technology and Brite Voice Systems. He became Vice President, Legal Affairs for Brite and later was responsible for their successful Asia-Pacific expansion. He exponentially expanded International business for SpeechWorks, and now brings his 20 years of technology experience to Pracom. Educated in law, television production and French film, he is based in Boston, Massachusetts.

Financial Report for the Year Ended 30 June 2003

Directors' Report

The directors of Pracom Limited present their report together with the financial report for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were as a supplier of outsourced services and technology solutions.

There have been no significant changes in the nature of those activities during the year.

REVIEW AND RESULTS OF OPERATIONS

Pracom's summarised operating results are as follows:

	Year ended 30 June 2003 $'000	Year ended 30 June 2002 $'000
Revenue from ordinary activities	76,411	178,546
Profit /(loss) before tax	(5,354)	(95,336)
Reconciliation of Profit/(Loss) Before Tax		
EBITDA – Continuing Business	4,591	1,359
EBITDA – Discontinuing Business	(2,099)	(4,877)
Operating EBITDA	**2,492**	**(3,518)**
Restructuring charge	(817)	(1,382)
EBITDA	**1,675**	**(4,900)**
Depreciation	(3,954)	(6,770)
Amortisation	(599)	(4,291)
EBIT before Asset Value Re-assessment/Sale of Business	**(2,878)**	**(15,961)**
Net Profit/(loss) on Sale of Business	(784)	1,026
Re-assessment of asset carrying value	-	(79,019)
EBIT	**(3,662)**	**(93,954)**
Net interest	(1,692)	(1,382)
Profit/(loss) before tax	**(5,354)**	**(95,336)**
Income tax (expense)/benefit	(3,322)	10,086
Profit/(loss) after tax	(8,676)	(85,250)

STAFFING

Pracom remains committed to investing significantly in its people and to attracting high quality staff with the skills and experience to build a strong global business. The Directors acknowledge the outstanding effort of the entire Pracom team throughout the year, and thank them for their continued commitment and support of the strategic changes within the company.

Staff numbers as at 30 June 2003 were 523 (2002: 723).

EARNINGS PER SHARE

Basic earnings per share	($0.0569)
Diluted earnings per share	($0.0569)

DIVIDENDS

No dividends have been paid or recommended during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The company concluded the sale of its loss making Infrastructure Services business unit in December 2002. Details of this sale are contained within note 31, Discontinuing Operations.

Directors' Report

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

None to report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Pracom has completed the implementation of a strategic plan that has seen the business refocussed on its core strengths: creating smart solutions through combining people, process and technology.

During the year, Pracom operated through two key business units, the Services Division and the Technology Division. The Services Division provides outsourced call centre and logistics operations and workforce management for broadband/telephony installations. The Technology Division provides advanced software for telco-grade systems through global partners to deliver enhanced network services to corporates and telecommunications carriers.

The business is expected to continue to deliver improved financial performance through a more streamlined and focussed organisation, with sales from our core activities forming a solid base for the future.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is not required to hold any Environmental Protection Authority licenses.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report, the interests of the directors in the shares and options of the company were:

	Fully Paid Ordinary Shares	Options over Ordinary Shares
B. Carter	-	2,000,000
J. Grigg	300,000	500,000
D. Paranthoiene	-	2,000,000
D. Phillips	-	500,000
R. Wood-Ward	-	500,000
CarPar Investments Pty Ltd *	28,117,000	-
B.S. Carter Superannuation Pty Ltd	5,000,000	-
Paranthoiene Superannuation Pty Ltd	5,000,000	-

*CarPar Investments Pty Ltd is beneficially owned by Messrs Paranthoiene and Carter and held directly through the D.J. Paranthoiene Family Trust and the B.S. Carter Family Trust.

SHARE OPTIONS

Unissued shares

As at the date of this report, Pracom Limited had on issue 9,168,236 (2002: 16,753,956) options to acquire ordinary shares as follows:

Date Issued	No. of Options	Exercise Price	Expiry Date
15-Feb-99	200,000	$0.980	14-Feb-04
17-May-00	4,000,000	$2.000	18-Apr-05
18-Jul-00	70,000	$1.210	18-Apr-05
31-Aug-00	632,636	$0.878	31-Aug-05
31-Aug-00	300,000	$0.300	31-Aug-05
31-Aug-01	750,000	$0.300	31-Aug-06
10-Oct-01	1,415,600	$0.338	31-Aug-06
14-Nov-01	500,000	$1.000	14-Nov-06
14-Nov-01	300,000	$0.400	14-Nov-06
13-Nov-02	1,000,000	$0.130	13-Nov-07

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

Directors' Report

Shares issued as a result of the exercise of options during the year

Number of Options	**Exercise Price**
Nil	n.a.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the company has paid premiums in respect of a contract of insurance for Directors' and Officers' Liability.

The nature of the liabilities insured and premium payable under this contract of insurance has not been disclosed in accordance with confidentiality provisions within the policy.

The company did not indemnify or otherwise insure any director or officer other than as indicated above.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Details of the nature and amount of each element of the emolument of each director of the company and each of the officers of the company and the consolidated entity received during the financial year are as follows:

Emoluments of directors and officers of Pracom Limited

	Annual Emoluments			**Long Term Emoluments**		
	Fixed Remuneration	Bonus	Termination Payments	**Options Granted**[1]		Total
Directors	**$**	**$**	**$**	Number	**$**	**$**
B. Carter	192,929		452,419			645,348
J. Grigg	61,311					61,311
D. Paranthoiene	317,461	82,500				399,961
D. Phillips (appointed 18/09/02)	31,749			500,000	5,000	36,749
M. Wilton (resigned 18/09/02)	10,102					10,102
T. Winters (resigned 13/11/02)	15,545					15,545
R. Wood-Ward (appointed 18/09/02)	31,749			500,000	5,000	36,749
Officer						
M. Corry	226,078	27,523				253,601

Officers are directors and executives who participate in making decisions that affect the whole, or a substantial part, of the business of the company and the consolidated entity.

During the year, two of the directors, Messrs Carter and Paranthoiene also acted in the capacity of officers of Pracom Limited. Mr M Corry was the only non-director who was an officer for these purposes.

The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

The process for setting remuneration of directors and officers is set out in the Corporate Governance section of this financial report.

[1]Options granted as part of remuneration have been valued using the Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

Directors' Report

DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Directors' Meetings	**No. of Meetings**	
	Held during term of office in current year	**Attended**
B. Carter	15	12
J. Grigg	15	15
D. Paranthoiene	15	15
D. Phillips (appointed 18/09/02)	11	10
M. Wilton (resigned 18/09/02)	5	5
T. Winters (resigned 13/11/02)	6	6
R. Wood-Ward (appointed 18/09/02)	11	10

Audit Committee Meetings	**No. of Meetings**	
	Held during term of office in current year	**Attended**
J. Grigg	3	3
D. Phillips (appointed 18/09/02)	2	2
M. Wilton (resigned 18/09/02)	1	1
R. Wood-Ward (appointed 18/09/02)	2	2

As at the date of this report, the company has an Audit Committee comprising Mr J Grigg, Mr D Phillips, Mr R Wood-Ward and Mr B Carter (appointed 06/08/03).

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Pracom Limited support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the additional ASX information section of this annual report.

Signed in accordance with a resolution of the directors.

Paranthoiene   John Grigg

Director   **Director**

Melbourne, 25 September 2003.

Independent Audit Report

ERNST & YOUNG

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Melbourne VIC 3000
Australia

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To the members of Pracom Limited

Scope

The financial report and directors responsibility

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

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

Audit approach

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

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

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

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

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

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

Independence

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

Independent Audit Report

Audit Opinion

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

(a) The Corporations Act 2001 including:

(i) giving a true and fair view of the financial position of Pracom Limited and consolidated entity as at 30 June 2003 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

Inherent Uncertainty Regarding Going Concern Basis of Accounting

Without qualification to the opinion expressed above, attention is drawn to the following matter. As disclosed in Note 1 under the heading "Basis of Accounting" there is inherent uncertainty whether Pracom Limited will be able to achieve its business plan which relies on funding generated in the normal course of business, leveraging of profitable new business from both services and technology intellectual property and continued support from funding providers. Therefore there is significant uncertainty regarding the going concern presumption. If the entity is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, that might result if the accounts were prepared on a basis other than going concern.

Ernst & Young

Ernst & Young

Stuart Alford Partner
Melbourne, 30 September 2003

Directors' Declaration

In accordance with a resolution of the directors of Pracom Limited we state that:

(1) In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in note 9 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the deed of cross guarantee.

On behalf of the Board

Director **Director**

Melbourne, 25 September 2003.

Statement of Financial Performance Year Ended 30 June 2003

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Revenue from ordinary activities	2	76,411	178,546	45,142	57,810
Cost of goods sold	3	(718)	(66,569)	(87)	(2,219)
Salaries and employee benefits		(27,824)	(46,164)	(19,244)	(34,411)
Borrowing costs	3	(1,942)	(1,980)	(1,928)	(1,941)
Temporary staff costs and subcontractor fees		(20,824)	(27,490)	(19,674)	(26,604)
Re-assessment of asset carrying values	3(c)	-	(79,019)	-	(81,600)
Divestment of business	3(d)	(3,042)	(52)	-	-
Occupancy expenses		(2,798)	(3,734)	(2,787)	(3,381)
Administrative expenses		(2,441)	(4,038)	(2,314)	(3,232)
Redundancy and restructure costs		(817)	(1,382)	(817)	(1,320)
Consumables used in provision of services		(5,683)	(13,998)	-	(315)
Direct cost of providing technology services		(2,225)	(2,676)	(2,286)	(2,443)
Depreciation and amortisation	3	(4,553)	(11,061)	(3,273)	(4,331)
Other expenses		(8,898)	(15,719)	(4,381)	(10,226)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(5,354)	(95,336)	(11,649)	(114,213)
Income tax (expense)/benefit relating to ordinary activities	4	(3,322)	10,086	331	4,955
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF PRACOM LIMITED	19	(8,676)	(85,250)	(11,318)	(109,258)
Net exchange difference on translation of financial report of foreign controlled entity	19	8	(3)	-	-
Total revenues, expenses and valuation adjustments attributable to members of Pracom Limited recognised directly in equity		8	(3)	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(8,668)	(85,253)	(11,318)	(109,258)
Basic earnings/(loss) per share		($0.0569)	($0.5598)		
Diluted earnings/(loss) per share		($0.0569)	($0.5598)		

Statement of Financial Position As at 30 June 2003

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Current assets					
Cash		4,306	9,056	3,742	3,120
Receivables	6	11,497	19,687	10,768	19,132
Inventories	7	1,107	1,334	1,087	1,134
Current tax assets	4	1,694	3,800	1,694	2,509
Other	8	2,497	4,954	2,250	4,661
Total current assets		21,101	38,831	19,541	30,556
Non-current assets					
Investments	9	-	-	1,145	1,145
Property, plant and equipment	10	4,621	8,790	4,514	7,513
Deferred tax assets	4	4,293	6,187	4,293	3,373
Intangible assets	11	3,480	6,823	-	-
Other	12	-	-	-	-
Total non-current assets		12,394	21,800	9,952	12,031
Total assets		33,495	60,631	29,493	42,587
Current liabilities					
Payables	13	14,783	26,290	14,346	9,951
Interest-bearing liabilities	14	2,934	2,990	2,824	2,840
Provisions	15	967	1,935	967	1,350
Total current liabilities		18,684	31,215	18,137	14,141
Non-current liabilities					
Interest-bearing liabilities	16	14,039	19,936	14,039	19,827
Provisions	17	605	645	605	589
Total non-current liabilities		14,644	20,581	14,644	20,416
Total liabilities		33,328	51,796	32,781	34,557
NET ASSETS		167	8,835	(3,288)	8,030
Equity					
Contributed equity	18	99,279	99,279	99,279	99,279
Reserves	19	(15,291)	(15,299)	14,900	14,900
Retained profits/ (Accumulated losses)	19	(83,821)	(75,145)	(117,467)	(106,149)
TOTAL EQUITY		167	8,835	(3,288)	8,030

Statement of Cash Flows Year Ended 30 June 2003

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Cash Flows from Operating Activities					
Receipts from customers		93,388	214,949	51,116	81,422
Payments to suppliers and employees		(94,110)	(206,342)	(65,759)	(99,359)
Interest received		251	370	135	134
Borrowing costs		(1,642)	(1,846)	(1,627)	(1,806)
Income tax (paid) / received		602	(1,102)	76	(303)
Net Cash Flows From/(Used In) Operating Activities	20(a)	(1,511)	6,029	(16,059)	(19,912)
Cash Flows from Investing Activities					
Associate's opening cash balance		-	5	-	-
Proceeds from sale of business		2,888	100	-	-
Payments for property, plant & equipment		(368)	(3,382)	(329)	(2,902)
Proceeds from sale of property, plant & equipment		193	837	143	313
Net Cash Flows From/(Used In) Investing Activities		2,713	(2,440)	(186)	(2,589)
Cash Flows from Financing Activities					
Proceeds from external borrowings		-	110	-	110
Repayment of external borrowings		(5,100)	(2,605)	(5,100)	(2,605)
Loans from/(payments to) related parties		-	-	22,678	28,142
Finance lease repayments		(852)	(910)	(711)	(710)
Net Cash Flows From/(Used In) Financing Activities		(5,952)	(3,405)	16,867	24,937
Net Increase/(Decrease) in Cash Held		(4,750)	184	622	2,436
Cash at the beginning of the financial year		9,056	8,872	3,120	684
Cash at the End of the Financial Year	20(b)	4,306	9,056	3,742	3,120

Notes to the Financial Statements Year Ended 30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

These financial statements have been prepared on the basis of going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

As a result of sustained deterioration in the global telecommunications industry and continuing restructuring within the markets in which the consolidated entity has operated, losses have been incurred in each of the last two financial years. While acknowledging that the erosion of the net asset base as a result of these losses creates uncertainty relating to going concern, the directors believe that the current business plan will be properly funded by the receipt of funds generated in the normal course of business activities and the expected ongoing financial support of the company's funding providers. The ability of the consolidated entity to achieve the business plan will be influenced by:

(i) the prevailing market conditions it faces and the level of competition, and

(ii) the ability to acquire new customers and grow the level of service provided to existing customers, leveraging both services & technology intellectual property.

The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might result if the accounts were prepared on a basis other than going concern.

The financial statements have been prepared in accordance with the historical cost convention.

b) Changes in accounting policies

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

(i) Employee benefits

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The revised policy has not had any material effect on consolidated retained profits or employee benefit liabilities at the beginning of the year nor on current year profits or closing employee benefits liabilities. This is because of the relatively small amount of employee benefits payable at any particular time.

c) Principles of consolidation

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

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases.

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

The financial statements of subsidiaries are prepared for the same period as the parent entity, using consistent accounting policies.

The inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Notes to the Financial Statements Year Ended 30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rates of exchange applicable at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

Translation of financial reports of overseas operations

All overseas operations are deemed self-sustaining as each is financially and operationally independent of Pracom Limited. The financial reports of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at the lower of cost and net realisable value.

For the purposes of Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

f) Trade and other receivables

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

Receivables from related parties are recognised and carried at the nominal amount due.

g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in-first-out basis; and
- Finished goods and work-in-progress – cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

h) Property, plant and equipment

Cost and Valuation

Property, plant and equipment are carried at cost.

Depreciation

Depreciation is calculated on all plant and equipment at rates calculated to allocate the cost less estimated residual value at the end of the useful lives of the assets, against revenue over those estimated useful lives. Depreciation is calculated on a reducing balance method on all motor vehicles.

Major depreciation rates are:	**2003**	**2002**
• Leasehold improvements	Unexpired Lease Term	Unexpired Lease Term
• Office furniture and equipment	20%	20%
• Motor vehicles	33%	33%
• Computer hardware	33%	33%
• Computer software	40%	40%
• Tools and equipment	33%	33%
• Point of sale material	33%	33%
• Office equipment under lease	Unexpired Lease Term	Unexpired Lease Term
• Motor vehicles under lease	Unexpired Lease Term	Unexpired Lease Term

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Recoverable Amount

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

j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits of incidental ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Finance Leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as plant and equipment under lease and hire purchase. The lease liability of equal value is also recognised.

Capitalised leased assets are depreciated over the shorter of estimated life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to profits.

k) Intangibles

Goodwill

Goodwill is amortised by the straight line method over 20 years, the period of expected benefit. The carrying value of goodwill is reviewed annually by the directors and written down where it is considered appropriate.

Intellectual property – licences

Licences are amortised by the straight line method over 10 years, the period of expected benefit. The carrying value of intellectual property is reviewed annually by the directors and written down where it is considered appropriate.

Other intangibles

Other intangibles are amortised by the straight line method over a period of 5 years.

l) Other non-current assets

Research and Development costs

Research and development costs are expensed as incurred, except where future benefits are expected, beyond reasonable doubt, to exceed those costs. Where research and development costs are deferred, such costs are amortised over future periods on a basis related to the expected future benefits. Unamortised costs are reviewed each balance date to determine the amount (if any) that is no longer recoverable and any such amount identified is written-off.

m) Trade creditors and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

n) Loans and borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Commercial bills are carried at the principal amount.

Notes to the Financial Statements Year Ended 30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Employee benefits

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

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

The value of the employee share scheme described in Note 22 is not being charged as an employee benefit expense.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses incurred.

p) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

q) Earnings per share

Basic earnings per share is determined by dividing the operating result after tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is determined by dividing the operating result after tax adjusted for the effect of earnings on potential shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the year.

r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Control of the goods has passed to the buyer.

Rendering of Services

Where the contract outcome can be reliably measured, control of a right to be compensated for the service has been attained and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage total of estimated labour hours for each contract.

Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Interest

Control of the right to receive the interest payment.

Dividends

Control of the right to receive the dividend payment.

Notes to the Financial Statements Year Ended 30 June 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Income tax

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried as an asset unless the benefit is virtually certain of being realised.

t) Financial instruments - terms and conditions

Trade accounts receivable, generally settled within 30-60 days are carried at amounts due, and are non-interest bearing. A provision is raised for any doubtful debtors based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Unlisted shares are carried at the lower of cost and net realisable value. Dividend income is recognised when the dividends are declared.

Trade accounts payable, including accruals, are recognised when the economic entity becomes obliged to make future payments for goods or services received. Trade accounts payable are generally settled within 30-60 days and are non-interest bearing.

Bank bills are carried at the principal amount. Borrowing costs, including interest, are expensed as incurred.

Lease liabilities are accounted for in accordance with AASB 1008, "Leases".

u) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities				
Revenue from sale of goods	6,889	76,345	551	9,270
Revenue from sale of services	66,306	99,338	43,849	47,688
Total revenues from operating activities	73,195	175,683	44,400	56,958
Revenue from non-operating activities				
Sundry revenue	514	578	464	405
Interest	251	370	135	134
Proceeds from sale of businesses	2,258	1,078	-	-
Proceeds from the disposal of property, plant and equipment	193	837	143	313
Total revenues from non-operating activities	3,216	2,863	742	852
Total revenues from ordinary activities	76,411	178,546	45,142	57,810

Notes to the Financial Statements Year Ended 30 June 2003

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

3. EXPENSES AND LOSSES/(GAINS)

a) Expenses

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Costs of goods sold	718	66,569	87	2,219
Depreciation of non-current assets				
-Leasehold improvements	747	1,207	711	962
-Office equipment, furniture	439	506	336	316
-Motor vehicles	12	32	-	-
-Tools, plant and equipment	104	475	74	8
-Computer hardware	1,331	2,049	1,083	1,594
-Computer software	511	1,239	386	929
-Point of sale	-	393	-	-
-Plant and equipment under lease	807	863	681	517
-Motor vehicles under lease	3	6	2	5
Total depreciation of non-current assets	3,954	6,770	3,273	4,331
Amortisation of non-current assets				
-Goodwill	83	2,358	-	-
-Formation and restructuring costs	-	16	-	-
-Product research and development	-	1,429	-	-
-Intellectual property	516	488	-	-
Total amortisation of non-current assets	599	4,291	-	-
Total depreciation and amortisation expense	4,553	11,061	3,273	4,331
Borrowing costs				
Interest expense				
-Finance lease/hire purchase	133	187	122	158
-Commercial bills	1,223	1,551	1,223	1,551
-Other	187	14	184	4
	1,543	1,752	1,529	1,713
Other borrowing costs	399	228	399	228
Total borrowing costs expensed	1,942	1,980	1,928	1,941
Bad and doubtful debts	1,263	1,831	71	328
Operating lease rental	2,450	3,576	2,146	2,568

b) Losses/(Gains)

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Net (gains) / losses on disposal of property, plant and equipment	(95)	(449)	(82)	(82)
Net (gains) / losses on disposal of business	784	(1,026)	-	-
Net foreign currency (gains)/losses	44	95	32	95

c) Specific items

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Reassessment of asset carrying values	-	79,019	-	81,600

During the year ended 30 June 2002 the directors reassessed and wrote-down the carrying values of assets, comprising goodwill, intellectual property, capitalised research and development and other assets. These write-downs have been reflected in the holding company primarily as a write-down in the carrying values of shares in subsidiaries.

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

3. EXPENSES AND LOSSES/(GAINS) (Continued)

d) Divestment of Business

Write-off of goodwill on sale of business	2,743	-	-	-
Asset carrying values	204	-	-	-
Other	95	52	-	-
Total	3,042	52	-	-

4. INCOME TAX

The prima facie tax, using tax rates applicable in the country of operation, on operating profit differs from the income tax provided in the financial statements as follows:

Prima facie tax on operating profit/(loss) at 30% (2002: 30%)	(1,607)	(28,577)	(3,495)	(34,264)
Tax effect of permanent differences:				
- Amortisation of goodwill	25	667	-	-
- Amortisation of restructure costs	-	5	-	-
- Amortisation of research and development costs	-	354	-	-
- Capital Expenses	-	18,037	-	23,775
- Entertainment	8	29	4	28
- Sale of business	411	-	-	-
- Transfer of losses (in)/out	-	-	-	5,402
- Write-off tax loss	4,881	-	3,365	-
- Other	89	53	41	101
Under/(Over) provision of tax from prior year	(485)	(654)	(246)	3
Income Tax Expense/(Benefit)	3,322	(10,086)	(331)	(4,955)
Deferred tax assets and liabilities				
Future income tax benefits - current	1,694	2,695	1,694	2,030
Current tax(payable)/refund due	-	1,105	-	479
Future income tax benefits - non-current	4,293	6,187	4,293	3,373

Income Tax Losses

Future income tax benefit arising from tax losses of a controlled entity not recognised at reporting date as realisation of the benefit is not regarded as virtually certain	4,881	500	3,365	-

This future income tax benefit will only be obtained if:

(a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Pracom Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing agreement in order to allocate income tax expenses to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidation group is Pracom Limited.

Pracom has not formally notified the Australian Taxation Office of its adoption of the tax consolidation regime.

Notes to the Financial Statements Year Ended 30 June 2003

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

5. DIVIDENDS

a) Dividends paid/proposed

Nil

b) The amount of franking credits available for the subsequent financial year are:

- franking account balance as at the end of the financial year at 30% (2002: 30%)			7,088	249
- franking credits/(debits) that will arise from the payment /(refund) of income tax payable/(refundable) as at the end of the financial year			(13)	(89)
- franking credits that the entity may be prevented from distributing in the subsequent financial years			(2,486)	-
Total available for use			4,589	160

As of 1 July 2002, the new imputation system requires a company's franking credits to be expressed on a tax paid basis. The franking account surplus existing at 30 June 2002 has been restated to a tax paid amount by multiplying the Class C franking surplus by 30/70.

6. RECEIVABLES (Current)

Trade debtors	11,585	18,888	10,407	6,947
Less: Provision for doubtful debts	(641)	(1,203)	(191)	(269)
	10,944	17,685	10,216	6,678
Other debtors	553	2,001	552	637
Sundry debtors	-	1	-	-
Amounts other than trade debts receivable from related parties:				
- Wholly owned controlled entities	-	-	-	11,817
	11,497	19,687	10,768	19,132

Terms and conditions

Terms and conditions relating to the above receivables:

(i) Trade debtors are non-interest bearing and generally on 30 day terms.

(ii) Other debtors and Sundry debtors are non-interest bearing and have repayment terms between 30 and 60 days.

(iii) Details of the terms and conditions of related party receivables are set out in note 28.

7. INVENTORIES

Raw materials	-	3	-	-
Finished goods	1,075	1,213	1,075	1,099
Other	92	201	72	118
Provision for stock obsolescence	(60)	(83)	(60)	(83)
	1,107	1,334	1,087	1,134

Notes to the Financial Statements Year Ended 30 June 2003

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

8. OTHER CURRENT ASSETS

Accrued income	1,771	4,299	1,554	4,013
Prepayments	643	567	614	561
Other	83	88	82	87
	2,497	4,954	2,250	4,661

9. INVESTMENTS (Non-Current)

Shares in subsidiaries	-	-	1,145	1,145
	-	-	1,145	1,145

a) Investment in controlled entities at the date of this report comprises:

Company	Country of Incorporation and domicile	Share type	Equity interest held by economic entity 2003	2002
Pracom Limited	Australia	-	-	-
Pracom Retail Pty Ltd	Australia	Ordinary	100%	100%
Steadycom Pty Ltd	Australia	Ordinary	100%	100%
L4 Mobile Pty Ltd	Australia	Ordinary	100%	100%
Pracom Investments Pty Ltd	Australia	Ordinary	100%	100%
Phone Installations Australia Pty Ltd	Australia	Ordinary	100%	100%
Phone Rentals Australia Pty Ltd	Australia	Ordinary	100%	100%
Pracom NZ Limited	New Zealand	Ordinary	100%	100%
Pracom Technical Services Pty Ltd	Australia	Ordinary	100%	100%
Pracom Holdings Pty Ltd (formerly Unidial Holdings Pty Ltd)	Australia	Ordinary	100%	100%
Pracom Prepaid Mobile Pty Ltd	Australia	Ordinary	100%	100%
Pracom Prepaid Communications Pty Ltd	Australia	Ordinary	100%	100%
Pracom Australia Pty Ltd (formerly Unidial Australia Pty Ltd)	Australia	Ordinary	100%	100%

All wholly owned entities have entered into a deed of cross guarantee with Pracom Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement of preparation, audit and lodgement of separate financial reports.

b) During the year ended 30 June 2003, the following controlled entities were voluntarily deregistered:

Phone Sales Australia Pty Ltd
Pracom Technical Services (Administration) Pty Ltd
Prepaid Internet Sales Pty Ltd
Unidial Administration Pty Ltd

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
10. PROPERTY PLANT AND EQUIPMENT				
Leasehold improvements at cost	4,463	4,616	4,199	4,144
Accumulated depreciation	(2,404)	(1,768)	(2,170)	(1,459)
	2,059	2,848	2,029	2,685
Office furniture and equipment at cost	1,961	2,210	1,428	1,391
Accumulated depreciation	(1,440)	(1,145)	(992)	(656)
	521	1,065	436	735
Motor vehicles at cost	20	215	20	20
Accumulated depreciation	(20)	(80)	(20)	(20)
	-	135	-	-
Tools and equipment at cost	1,334	1,605	1,287	1,236
Accumulated depreciation	(1,187)	(1,265)	(1,144)	(1,069)
	147	340	143	167
Computer hardware at cost	6,830	6,742	4,205	4,201
Accumulated depreciation	(6,238)	(4,895)	(3,535)	(2,513)
	592	1,847	670	1,688
Computer software at cost	2,538	2,542	1,695	1,699
Accumulated depreciation	(2,314)	(1,865)	(1,536)	(1,212)
	224	677	159	487
Point of sale material at cost	724	724	-	-
Accumulated depreciation	(724)	(724)	-	-
	-	-	-	-
Office furniture and equipment under lease	3,253	3,508	2,869	2,860
Accumulated amortisation	(2,175)	(1,632)	(1,792)	(1,111)
	1,078	1,876	1,077	1,749
Motor vehicles under lease	15	15	15	15
Accumulated amortisation	(15)	(13)	(15)	(13)
	-	2	-	2
Total property, plant and equipment				
At cost	21,138	22,177	15,718	15,566
Accumulated depreciation/amortisation	(16,517)	(13,387)	(11,204)	(8,053)
Total written down amount	4,621	8,790	4,514	7,513

a) Assets pledged as security

Pracom Limited has granted a registered mortgage debenture in favour of National Australia Bank. The debenture remains in force and provides security over the whole of the assets and undertaking of the company. It secures amounts owing to the National Australia Bank.

Each wholly owned subsidiary of Pracom Limited has granted a guarantee and indemnity of the obligations of Pracom Limited to the National Australia Bank.

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

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

b) Reconciliations

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Leasehold improvements				
Carrying amount at beginning	2,848	4,240	2,685	3,909
Additions	58	81	56	-
Disposals	(100)	(266)	(1)	(262)
Depreciation expense	(747)	(1,207)	(711)	(962)
	2,059	2,848	2,029	2,685
Office furniture and equipment				
Carrying amount at beginning	1,065	1,351	735	778
Additions	37	326	37	366
Disposals	(142)	(110)	-	(93)
Additions through acquisitions of operations	-	4	-	-
Depreciation expense	(439)	(506)	(336)	(316)
	521	1,065	436	735
Motor vehicles				
Carrying amount at beginning	135	178	-	-
Disposals	(123)	(11)	-	-
Depreciation expense	(12)	(32)	-	-
	-	135	-	-
Tools, plant and equipment				
Carrying amount at beginning	340	732	167	8
Additions	95	92	76	167
Disposals	(184)	(9)	(26)	-
Depreciation expense	(104)	(475)	(74)	(8)
	147	340	143	167
Computer hardware				
Carrying amount at beginning	1,847	2,639	1,688	2,011
Additions	99	1,194	88	1,277
Disposals	(23)	(8)	(23)	(6)
Additions through acquisitions of operations	-	71	-	-
Depreciation expense	(1,331)	(2,049)	(1,083)	(1,594)
	592	1,847	670	1,688
Computer software				
Carrying amount at beginning	677	1,166	487	932
Additions	70	841	70	507
Disposals	(12)	(91)	(12)	(23)
Depreciation expense	(511)	(1,239)	(386)	(929)
	224	677	159	487
Point of Sale material				
Carrying amount at beginning	-	393	-	-
Depreciation expense	-	(393)	-	-
	-	-	-	-

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
10. PROPERTY, PLANT AND EQUIPMENT (Continued)				
Office furniture and equipment under lease				
Carrying amount at beginning	1,876	1,179	1,749	854
Additions	9	1,573	9	1,425
Disposals	-	(13)	-	(13)
Amortisation expense	(807)	(863)	(681)	(517)
	1,078	1,876	1,077	1,749
Motor vehicles under lease				
Carrying amount at beginning	2	23	2	23
Additions	1	1	-	-
Disposals	-	(16)	-	(16)
Amortisation expense	(3)	(6)	(2)	(5)
	-	2	-	2

11. INTANGIBLES

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Formation expenses	-	1	-	-
Accumulated amortisation	-	(1)	-	-
	-	-	-	-
Restructure costs	-	118	-	-
Accumulated amortisation	-	(118)	-	-
	-	-	-	-
Intellectual properties – licences	5,422	5,422	-	-
Accumulated amortisation	(1,942)	(1,426)	-	-
	3,480	3,996	-	-
Trade marks and patents	-	2	-	-
Accumulated amortisation	-	(2)	-	-
	-	-	-	-
Goodwill acquired	3,847	3,847	-	-
Accumulated amortisation	(1,104)	(1,020)	-	-
Write-off on sale of business	(2,743)	-	-	-
	-	2,827	-	-
Goodwill on consolidation	6,008	6,008	-	-
Accumulated amortisation	(6,008)	(6,008)	-	-
	-	-	-	-
	3,480	6,823	-	-

12. OTHER NON-CURRENT ASSETS

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Deferred research and development costs				
- Balance at beginning of year	6,594	6,594	785	785
- Research and development costs deferred/ (written down) during the year	-	(4,504)	-	-
	-	2,090	-	-
Accumulated amortisation	(6,594)	(2,090)	(785)	(785)
Balance at end of year	-	-	-	-

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

13. PAYABLES (Current)

	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Trade creditors	9,444	16,963	5,422	3,343
Sundry creditors & accruals	4,627	7,678	1,583	5,588
Other creditors	712	1,649	673	1,020
Amounts other than trade creditors payable to related parties:				
- Wholly owned controlled entities	-	-	6,668	-
	14,783	26,290	14,346	9,951

Terms and conditions relating to the above payables:

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
(ii) Sundry creditors and accruals are non-interest bearing and have payment terms between 60 and 120 days.
(iii) Other creditors have an average term of 30 days.
(iv) Details of the terms and conditions of related party payables are set out in note 28.

14. INTEREST BEARING LIABILITIES (Current)

	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Commercial bills – secured	2,140	2,140	2,140	2,140
Lease liability (note 21)	337	386	227	280
Hire purchase liability (note 21)	457	464	457	420
	2,934	2,990	2,824	2,840

Terms and conditions relating to the above financial instruments:

(i) Commercial Bills – secured have an average maturity of 30 days with an effective average interest rate of 4.89% (2002: 6.76%). See note 10 (a) for security details.
(ii) Lease and hire purchase liabilities have terms ranging from 3 to 5 years with the option to purchase the asset at the completion of the lease term for the asset's residual value. The discount rate implicit in the leases is between 6.5% and 11.5% (2002: 6.5% and 11.5%).

Lease and hire purchase liabilities are secured by a charge over the leased assets.

15. PROVISIONS (Current)

	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Provision for employee benefits (note 22)	967	1,935	967	1,350
	967	1,935	967	1,350

16. INTEREST BEARING LIABILITIES (Non-Current)

	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Commercial bills – secured	13,515	18,615	13,515	18,615
Lease liability (note 21)	147	481	147	372
Hire purchase liability (note 21)	377	840	377	840
	14,039	19,936	14,039	19,827

Terms and conditions relating to the above financial instruments:

(i) Commercial Bills – secured have an average maturity of 30 days with an effective average interest rate of 4.89% (2002: 6.76%). See note 10 (a) for security details.

(ii) Lease and hire purchase liabilities have terms ranging from 3 to 5 years with the option to purchase the asset at the completion of the lease term for the asset's residual value. The discount rate implicit in the leases is between 6.5% and 11.5% (2002: 6.5% and 11.5%).

Lease and hire purchase liabilities are secured by a charge over the leased assets.

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
17. PROVISIONS (Non-Current)				
Provision for employee benefits (note 22)	605	645	605	589
	605	645	605	589

18. CONTRIBUTED EQUITY

Issued and paid up capital

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
152,446,137 ordinary shares (2002: 152,446,137)	99,279	99,279	99,279	99,279

	Shares '000	Shares '000
Balance at the beginning of the year	152,446	151,973
On 28 February 2002, 472,877 fully paid shares were issued at $0.16 per share in final consideration for the acquisition of the Raynella Group.	-	473
Balance at the end of the year	152,446	152,446

Share Options

Options over ordinary shares:

As at 30 June 2003, Pracom Limited had issued the following options to acquire ordinary shares. The majority were issued in accordance with the company's Executive and Director Incentive Plan:

	Amount	Date Issued	Issue Price	Exercise Price	Term
Employees	200,000	05/02/99	$0.00	$0.980	5 years
Directors	4,000,000	17/05/00	$0.00	$2.000	5 years
Employees	70,000	18/07/00	$0.00	$1.210	5 years
Employees	632,636	31/08/00	$0.00	$0.878	5 years
Former Director	300,000	31/08/00	$0.00	$0.300	5 years
Former Director	600,000	31/08/01	$0.00	$0.300	5 years
Officers	150,000	31/08/01	$0.00	$0.300	5 years
Employees	1,015,600	10/10/01	$0.00	$0.338	5 years
Former Employees	100,000	10/10/01	$0.00	$0.338	5 years
Former Director	300,000	10/10/01	$0.00	$0.338	5 years
Directors	500,000	14/11/01	$0.00	$1.000	5 years
Former Director	300,000	14/11/01	$0.00	$0.400	5 years
Directors	1,000,000	13/11/02	$0.00	$0.130	5 years

At the end of the year there were 9,168,236 (2002: 19,753,956) unissued ordinary shares in respect of which options were outstanding.

All of the movement in unissued ordinary shares in respect of which options were outstanding is detailed in Note 22, except for the following options not issued to employees that were forfeited during the year:

	Amount	Date Issued	Issue Price	Exercise Price	Term
Vendors of Unidial Holdings Pty Ltd	1,500,000	09/09/99	$0.00	$1.600	3 years
Vendors of Unidial Holdings Pty Ltd	1,500,000	09/09/99	$0.00	$2.000	3 years

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
19. RESERVES AND RETAINED PROFITS				
Capital profits reserve (note 19a)	-	-	14,900	14,900
Share buy-back reserve (note 19b)	(15,327)	(15,327)	-	-
Foreign currency translation reserve (note 19c)	36	28	-	-
	(15,291)	(15,299)	14,900	14,900
Retained profits (note 19d)	(83,821)	(75,145)	(117,467)	(106,149)
a) Capital profits reserve				
i) Nature and purpose of reserve The capital profits reserve is used to accumulate realised capital profits. The reserve can be used to pay dividends or issue bonus shares. ii) Movements in reserve				
Balance at year end	-	-	14,900	14,900
b) Share buy-back reserve				
i) Nature and purpose of reserve The share buy-back reserve was generated when Unidial Holdings Pty Ltd bought back part of its share capital. ii) Movements in reserve				
Balance at year end	(15,327)	(15,327)	-	-
c) Foreign currency translation reserve				
i) Nature and purpose of reserve The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements. ii) Movements in reserve				
Balance at beginning of year	28	31	-	-
Gain/(loss) on translation of overseas controlled entity.	8	(3)	-	-
Balance at end of year	36	28	-	-
d) Retained profits				
Balance at beginning of year	(75,145)	10,105	(106,149)	3,109
Net profit/(loss) attributable to members of Pracom Limited.	(8,676)	(85,250)	(11,318)	(109,258)
Total available for appropriation	(83,821)	(75,145)	(117,467)	(106,149)

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

20. STATEMENT OF CASH FLOWS

a) Reconciliation of the operating profit after tax to net cash flows from operations

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Operating profit/(loss) after tax	(8,676)	(85,250)	(11,318)	(109,258)
Depreciation	3,954	6,770	3,274	4,331
Amortisation	599	4,291	-	-
Reassessment of carrying values	-	75,021	-	77,602
Exchange (gains)/losses	44	95	32	95
Provision for doubtful debts	(562)	(512)	(78)	109
Bad Debts	1,825	2,343	149	219
(Profit)/loss on disposal of fixed assets	(95)	(449)	(82)	(82)
Net (gain)/loss on disposal of business	784	(1,026)	-	-
Changes in operating assets and liabilities, net of effects from acquisitions and disposals of entities:				
(Increase)/decrease in trade debtors	5,477	23,620	(3,609)	7,837
(Increase)/decrease in inventories	229	4,221	47	(621)
(Increase)/decrease in FITB/PDIT	2,895	(9,125)	(584)	(4,955)
(Increase)/decrease in accrued income	2,528	714	2,459	905
(Increase)/decrease in prepayments	(76)	992	(53)	612
(Increase)/decrease in GST purchase clearing	169	1,252	(70)	316
(Increase)/decrease in other assets	1,283	(424)	160	783
Increase/(decrease) in trade creditors	(7,518)	(14,022)	2,099	147
Increase/(decrease) in employee benefits	(1,008)	(694)	(367)	(346)
Increase/(decrease) in provision for taxation	1,105	(2,325)	479	(319)
Increase/(decrease) in GST sales clearing	(496)	(916)	157	(288)
Increase/(decrease) in other liabilities	(3,972)	1,453	(8,754)	3,001
Net cash flow from/(used in) operating activities	(1,511)	6,029	(16,059)	(19,912)

b) Reconciliation of cash:

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Cash balance comprises				
- Cash at Bank	4,306	9,056	3,742	3,120

c) Financing facilities available

At balance date, the following financing facilities had been negotiated and were available:

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Total facilities				
- bank loans	15,655	20,755	15,655	20,755
Facilities used at balance date				
- bank loans	15,655	20,755	15,655	20,755
Facilities unused at balance date				
- bank loans	-	-	-	-

d) Non-cash financing and investing activities

During the financial year, the economic entity acquired computer equipment with an aggregate fair value of $8,700 by means of finance lease.

21. EXPENDITURE COMMITMENTS

a) Capital expenditure commitments

Nil

b) Lease expenditure commitments

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
Finance Leases				
Not later than one year	364	460	254	329
Later than one year, not later than five years	154	514	154	405
Total minimum lease payments	518	974	408	734
Future finance charges	(34)	(107)	(34)	(82)
Lease liability	484	867	374	652
Current liability	337	386	227	280
Non-current liability	147	481	147	372
	484	867	374	652
Operating Leases				
Not later than one year	1,959	2,305	1,880	1,869
Later than one year, not later than five years	2,657	5,347	2,622	5,120
Minimum operating lease payments	4,616	7,652	4,502	6,989
Hire Purchase Contracts				
Not later than one year	509	552	509	509
Later than one year, not later than five years	394	912	394	912
Total minimum lease payments	903	1,464	903	1,421
Future finance charges	(69)	(160)	(69)	(160)
Lease liability	834	1,304	834	1,261
Current liability	457	464	457	420
Non-current liability	377	840	377	841
	834	1,304	834	1,261

c) Leases

Operating leases pertain mainly to property rental for the various premises occupied by the Pracom Group and motor vehicles, being the vans used by the Group in its ordinary course of business. The average lease term of these vehicles is 3 years.

Finance leases pertain primarily to plant and IT equipment. The leases range in terms between 3 to 5 years with interest rates varying between 6.5% and 11.5% (2002: 6.5% and 11.5%).

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

22. EMPLOYEE BENEFITS & SUPERANNUATION COMMITMENTS

Employment Benefits

	Consolidated 2003 $'000	Consolidated 2002 $'000	Pracom Limited 2003 $'000	Pracom Limited 2002 $'000
The aggregate employee benefit liability is comprised of:				
Accrued wages, salaries and on-costs	1,015	1,819	1,015	1,385
Provision (current) (see note (a))	967	1,935	967	1,350
Provision (non-current) (see note (b))	605	645	605	589
	2,587	4,399	2,587	3,324

(a) This provision includes an amount of $100,000 (2002: Nil) being a retirement allowance for a former executive of Pracom Limited to which there is a present entitlement. The remainder relates to a provision for annual leave for the employees of the group.

(b) This provision includes an amount of $383,336 (2002: $300,000) (accumulating to $450,000 over three years) being a retirement allowance for the executive director of Pracom Limited to which there is no present entitlement. The remainder relates to a provision for long service leave for the employees of the Group.

Employee Share Scheme

An employee share scheme has been established where Pracom Limited may, at the discretion of management, grant options over the ordinary shares of Pracom Limited to directors, executives and certain members of staff of the consolidated entity. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors of Pracom Limited, although the management of Pracom Limited retains the final discretion on the issue of the options. The options are issued on average for a term of 5 years and are exercisable beginning on the first anniversary of the date of grant. The options cannot be transferred and will not be quoted on the ASX.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

	2003		2002	
	Number of Options	Weighted Average Exercise	Number of Options Price	Weighted Average Exercise Price
Balance at beginning of year	16,753,956	$0.851	13,963,010	$1.021
- granted	1,000,000	$0.130	3,658,600	$0.426
- forfeited	(8,585,720)	$0.550	(867,654)	$0.975
- exercised	-	-	-	-
Balance at end of year	9,168,236	$1.132	16,753,956	$0.851
Exercisable at end of year	9,168,236	$1.132	16,753,956	$0.851

22. EMPLOYEE BENEFITS & SUPERANNUATION COMMITMENTS (continued)

a) Options held at the beginning of the reporting period:

The following table summarises information about options held on issue as at 1 July 2002.

Date issued	No of Options	Exercise Price	Expiry Date
12-Oct-98	5,442,857	$0.300	11-Oct-03
28-Oct-98	900,000	$0.300	27-Oct-03
15-Feb-99	200,000	$0.980	14-Feb-04
14-Oct-99	250,000	$1.500	25-Aug-04
17-May-00	4,750,000	$2.000	18-Apr-05
13-Jul-00	250,000	$2.000	12-Jul-05
18-Jul-00	180,000	$1.210	18-Apr-05
31-Aug-00	672,499	$0.878	31-Aug-05
31-Aug-00	450,000	$0.300	31-Aug-05
31-Aug-01	750,000	$0.300	31-Aug-06
10-Oct-01	2,108,600	$0.338	31-Aug-06
14-Nov-01	500,000	$1.000	14-Nov-06
14-Nov-01	300,000	$0.400	14-Nov-06
	16,753,956		

b) Options granted during the period:

The following table summarises information about options granted by Pracom Limited during the year:

Date issued	No of Options	Exercise Price	Expiry Date
13-Nov-02	1,000,000	$0.130	13-Nov-07

c) Options exercised during the reporting period:

No options were exercised during the reporting period.

d) Options forfeited during the reporting period:

The following table summarises information about options forfeited during the year:

Date issued	No of Options	Exercise Price	Expiry Date
12-Oct-98	5,442,857	$0.300	11-Oct-03
28-Oct-98	900,000	$0.300	27-Oct-03
14-Oct-99	250,000	$1.500	25-Aug-04
17-May-00	750,000	$2.000	18-Apr-05
13-Jul-00	250,000	$2.000	12-Jul-05
18-Jul-00	110,000	$1.210	18-Apr-05
31-Aug-00	39,863	$0.878	31-Aug-05
31-Aug-00	150,000	$0.300	31-Aug-05
10-Oct-01	693,000	$0.338	31-Aug-06
	8,585,720		

22. EMPLOYEE BENEFITS & SUPERANNUATION COMMITMENTS (continued)

e) Options held at the end of the reporting period:

The following table summarises information about options held on issue as at 30 June 2003.

Date Issued	No. of Options	Exercise Price	Expiry Date
15-Feb-99	200,000	$0.980	14-Feb-04
17-May-00	4,000,000	$2.000	18-Apr-05
18-Jul-00	70,000	$1.210	18-Apr-05
31-Aug-00	632,636	$0.878	31-Aug-05
31-Aug-00	300,000	$0.300	31-Aug-05
31-Aug-01	750,000	$0.300	31-Aug-06
10-Oct-01	1,415,600	$0.338	31-Aug-06
14-Nov-01	500,000	$1.000	14-Nov-06
14-Nov-01	300,000	$0.400	14-Nov-06
13-Nov-02	1,000,000	$0.130	13-Nov-07
	9,168,236		

Superannuation Commitments

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Contributions by the company, in accordance with prevailing legislation, were paid during the year.

23. SUBSEQUENT EVENTS

Nil.

24. EARNINGS PER SHARE

	Consolidated	
	2003	2002
a) Basic earnings/(loss) per share	($0.0569)	($0.5598)
b) Diluted earnings/(loss) per share	($0.0569)	($0.5598)
c) Earnings used in calculating basic and diluted earnings/(loss) per share	($8,676,221)	($85,249,847)
c) Weighted average number of ordinary shares on issue used in the calculation of basic earnings/(loss) per share	152,446,137	152,288,079
d) Weighted average number of ordinary shares on issue used in the calculation of diluted earnings/(loss) per share	152,446,137	171,943,193
e) Potential ordinary shares that are not dilutive and therefore not used in the calculation of diluted earnings/(loss) per share.	9,168,236	16,753,956

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000

25. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the economic entity (and Pracom Limited), directly or indirectly, by the entities of which they are directors or any related party.

	Consolidated 2003	Consolidated 2002	Pracom Limited 2003	Pracom Limited 2002
	1,459,366	1,713,494	1,205,765	1,451,267
The number of directors of Pracom Limited and controlled entities whose remuneration (including superannuation contributions) falls within the following bands:				
$10,000 - $19,999	2	-	2	-
$30,000 - $39,999	2	-	2	-
$40,000 - $49,999	-	3	-	3
$60,000 - $69,999	1	1	1	1
$250,000 - $259,999	1	-	-	-
$260,000 - $269,999	-	1	-	-
$380,000 - $389,999	-	1	-	1
$390,000 - $399,999	1	-	1	-
$400,000 - $409,999	-	1	-	1
$460,000 - $469,999	-	1	-	1
$640,000 - $649,999	1	-	1	-

26. REMUNERATION OF EXECUTIVES

Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is $100,000 or more, from entities in the consolidated entity (and Pracom Limited) or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise.

	Consolidated 2003	Consolidated 2002	Pracom Limited 2003	Pracom Limited 2002
	1,298,910	1,514,886	1,298,910	1,514,886
The number of executives of the consolidated entity and the company whose remuneration falls within the following bands:				
$250,000 - $259,999	1	-	1	-
$260,000 - $269,999	-	1	-	1
$380,000 - $389,999	-	1	-	1
$390,000 - $399,999	1	-	1	-
$400,000 - $409,999	-	1	-	1
$460,000 - $469,999	-	1	-	1
$640,000 - $649,999	1	-	1	-

	Consolidated		Pracom Limited	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
27. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditors of Pracom Limited for:				
- audit of the financial report of the entity and any other entity in the consolidated entity	116,861	174,000	109,000	174,000
- other services in relation to the entity and any other entity in the consolidated entity	137,519	163,439	131,711	163,439

28. RELATED PARTY DISCLOSURES

a) The directors of Pracom Limited during the year were:

John Grigg (Chairman)
Bruce Carter
David Paranthoiene
Darryl Phillips (appointed 18/09/02)
Michael Wilton (resigned 18/09/02)
Terry Winters (resigned 13/11/02)
Rex Wood-Ward (appointed 18/09/02)

b) The following related party transactions occurred during the financial year:

1. Transactions with related parties in wholly owned group:

1.1 During the financial year, Pracom Technical Services Pty Ltd sold products to Pracom Limited for an aggregate amount of $64,466 (2002: $1,065,132). These transactions were made under normal commercial terms and conditions.

1.2 The figures shown in the "amounts other than trade debtors - wholly owned controlled entities" in note 6 and in the "amounts other than trade creditors – wholly owned controlled entities" in note 13 relate entirely to inter-company loans which have been established for the funding of acquisitions and other purposes. Inter-company loans are non-interest bearing and are payable on demand at the discretion of the entity.

2. Transactions with other related parties:

   There were no transactions during the financial year with other related parties.

3. Transactions with director related entities:

   Mr Wilton is a partner in Deacons which provided legal consulting to Pracom Limited at normal commercial rates. The aggregate amount of the services provided were $nil during his term of office this year (2002: $52,322).

   Mr Wood-Ward is a director of Corporate Express Limited which provided stationery and consumables to Pracom Limited at normal commercial rates. The aggregate amount of the goods provided was $131,267 during his term of office this year.

   Mr Wood-Ward provided consulting services to Pracom Limited at normal commercial rates. The aggregate amount of the services provided was $26,235 during his term of office this year.

   Mr Phillips is a director of Nascent Investments Pty Ltd which provided consulting services to Pracom Limited at normal commercial rates. The aggregate amount of the services provided was $26,235 during his term of office this year.

28. RELATED PARTY DISCLOSURES (continued)

c) The ultimate parent company in the wholly owned group is Pracom Limited.

d) Equity instruments of directors:

(i) Interests in the equity instruments of entities in the economic entity held by directors of the reporting entity and their director-related entities at balance date:

	2003 Fully Paid Ordinary Shares	2002 Fully Paid Ordinary Shares	2003 Options Over Ordinary Shares	2002 Options Over Ordinary Shares
B. Carter	-	-	2,000,000	2,250,000
J. Grigg	300,000	300,000	500,000	500,000
D. Paranthoiene	-	-	2,000,000	2,250,000
D. Phillips	-	-	500,000	-
M. Wilton (resigned 18/09/02)	-	10,000	-	650,000
T. Winters (resigned 13/11/02)	-	174,910	-	500,000
R. Wood-Ward	-	-	500,000	-
CarPar Investments Pty Ltd *	28,117,000	28,117,000	-	5,442,857
B.S. Carter Superannuation Pty Ltd	5,000,000	5,000,000	-	-
Paranthoiene Superannuation Pty Ltd	5,000,000	5,000,000	-	-

*CarPar Investments Pty Ltd is beneficially owned by Messrs Paranthoiene and Carter and held directly through the D.J. Paranthoiene Family Trust and B.S. Carter Family Trust.

(ii) Movements in directors' equity holdings:

During the year options over unissued shares were granted in Pracom Limited as part of directors' remuneration as follows:

Mr D Phillips	500,000
Mr R Wood-Ward	500,000

During the year options over unissued shares were forfeited in Pracom Limited as follows:

Mr B Carter	250,000
Mr D Paranthoiene	250,000
CarPar Investments Pty Ltd	5,442,857
Mr M Wilton (resigned 18/09/02)	650,000
Mr T Winters (resigned 13/11/02)	500,000

There have been no options granted over unissued shares since the end of the year to any director.

29. SEGMENT INFORMATION

Segment products and locations

The consolidated entity's operating companies are organised and managed separately according to the nature of the products and services they provide.

The Services division concentrates on providing outsourced services to major corporations in Australia including telecommunications carriers. During the period these services included specialised call centre and logistics operations, managing field workforces that undertake broadband/telephony installations for carriers and structured electrical, voice and data cabling products for major constructions and fit-outs.

The Technology division delivers world-class telecommunications software. These products provide a platform for delivery of advanced IVR and speech recognition solutions to telecommunications companies and other corporations.

Geographically, the group operates primarily in one segment, Australia.

Notes to the Financial Statements Year Ended 30 June 2003

29. SEGMENT INFORMATION (continued)

Segment accounting policies

The group generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Segment accounting policies are the same as the consolidated entity's policies as described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

BUSINESS SEGMENTS

	Services		Technology		Retail	
	2003	2002	2003	2002	2003	2002
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	71,159	101,551	5,252	8,560	-	68,435
Results	5,103	5,812	(3,784)	(69,000)	-	(15,312)
Restructure charge	n/a	n/a	n/a	n/a	n/a	n/a
Income tax expense	n/a	n/a	n/a	n/a	n/a	n/a
Net loss	n/a	n/a	n/a	n/a	n/a	n/a
Assets	24,347	43,144	9,148	17,892	-	(405)
Liabilities	26,509	36,642	6,819	13,221	-	1,933
Other segment information						
Acquisition of fixed assets	317	2,645	51	975	-	471
Depreciation	2,727	3,921	1,226	1,763	-	1,086
Amortisation	-	415	599	3,515	-	361
Non-cash expenses other than Depreciation and Amortisation	1,263	10,060	44	57,284	-	13,601

	Central Services		Consolidated	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Revenue	-	-	76,411	178,546
Results	(5,856)	(16,836)	(4,537)	(93,954)
Restructure charge	(817)	(1,382)	(817)	(1,382)
Income tax expense	(3,322)	(10,086)	(3,322)	10,086
Net loss	n/a	n/a	(8,676)	(85,250)
Assets	-	-	33,495	60,631
Liabilities	-	-	33,328	51,796
Other segment information				
Acquisition of fixed assets	-	-	368	4,091
Depreciation	-	-	3,953	6,770
Amortisation	-	-	599	4,291
Non-cash expenses other than Depreciation and Amortisation	-	-	1,307	80,945

The Services division segment result for the year ended 30 June, 2003 includes a loss of $2.4 million in respect of a discontinuing operation.

30. FINANCIAL INSTRUMENTS

a) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

2003

Financial Instruments	Floating interest rate	Fixed interest rate maturing in: 1 year or less	Over 1 to 5 years	More than 5 years	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial assets							
Cash and deposits	4,303	-	-	-	3	4,306	4.25
Trade debtors	-	-	-	-	10,944	10,944	
Other debtors	-	-	-	-	553	553	
Total financial assets	4,303	-	-	-	11,500	15,803	
Financial liabilities							
Commercial bills (Note 1)	-	2,140	13,515	-	-	15,655	4.89
Trade creditors	-	-	-	-	9,444	9,444	
Sundry creditors and accruals	-	-	-	-	4,627	4,627	
Other payables	-	-	-	-	712	712	
Lease liability/hire purchase		794	524	-	-	1,318	
Total financial liabilities	-	2,934	14,039	-	14,783	31,756	

Note 1. The interest rate applicable to the total value of the commercial bills varies each time the bill facility rolls, and is fixed for the term of the roll.

2002

Financial assets							
Cash and deposits	7,051	2,000	-	-	5	9,056	3.83
Trade debtors	-	-	-	-	17,685	17,685	
Other debtors	-	-	-	-	2,001	2,001	
Sundry receivables	-	-	-	-	1	1	
Total financial assets	7,051	2,000	-	-	19,692	28,743	
Financial liabilities							
Commercial bills (Note 2)	-	2,140	18,615	-	-	20,755	6.76
Trade creditors	-	-	-	-	16,963	16,963	
Sundry creditors and accruals	-	-	-	-	7,678	7,678	
Other payables	-	-	-	-	1,649	1,649	
Lease liability/hire purchase	-	850	1,321	-	-	2,171	7.79
Total financial liabilities	-	2,990	19,936	-	26,290	49,216	

Note 2. The interest rate applicable to $5.0m of the commercial bills varies each time the bill facility rolls, and is fixed for the term of the roll. The balance of this facility, $15.8m as at balance date, varies each time the bill facility rolls, is fixed for the term of the roll and has a floor rate of 6.35% and a capped rate of 7.35%.

30. FINANCIAL INSTRUMENTS (continued)

b) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised as reported in the balance sheet approximates their carrying value.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Cash and deposits: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and payables: The carrying amount approximates fair value.

Short term borrowings: The carrying amount approximates fair value because of their short term to maturity.

Long term borrowings: The fair values of long term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Non-current investments/securities: For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment/security.

c) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk
The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers within the specified industries. However, the majority of customers are concentrated in Australia.

Credit risk in trade receivables is managed in the following ways:

- payment terms of 14 or 30 days;
- a credit review is conducted prior to establishing a customer account;
- non-account customer sales are conducted on a cash basis.

31. DISCONTINUING OPERATIONS

a) Discontinuance of the Infrastructure Services Division

On 23 December 2002, Pracom sold its Infrastructure Services division. The division undertook voice, data and electrical wiring in the corporate environment. The sale follows a strategic review of the group which identified the need to simplify and streamline operations and exit unprofitable activities.

	2003 $'000	2002 $'000
(i) Financial Performance information		
Revenue from ordinary activities	12,989	32,884
Expenses from ordinary activities	(15,434)	(36,147)
Profit/(loss) before income tax (expense)/benefit	(2,445)	(3,263)
Income tax (expense)/benefit relating to ordinary activities	-	-
Profit/(loss) from ordinary activities after income tax	(2,445)	(3,263)
(ii) Asset disposals		
The carrying amounts of total assets to be disposed of and total liabilities to be settled as at 30 June 2003 are as follows:		
Total Assets	295	-
Total Liabilities	22	-
Net Assets	273	-
During the financial year ended 30 June 2003, assets disposed of were as follows:		
Proceeds from disposition of non-current assets	485	-
Carrying amount of assets	485	-
Pre-tax profit/(loss) on disposition	-	-
Tax (expense)/benefit	-	-
Profit/(loss) on disposition after tax	-	-
(iii) Infrastructure Services Division's cash flows during the year		
Operating	(130)	595
Investing	(19)	(338)
Financing	(172)	(261)
Net cash inflows/(outflows)	(321)	(4)

b) Discontinuance of the Retail Division

On 12 April, 2002 the Board announced it had entered into a Memorandum of Understanding (with OziCom Solutions Pty Ltd) for the sale of Pracom's Retail division. The sale was completed on 1 May 2002. The Retail division marketed long distance calling cards and also distributed pre-paid telecommunications products for Vodafone and other companies to retailers throughout Australia.

	2003	2002
(i) Financial Performance information		
Revenue from ordinary activities	-	68,435
Expenses from ordinary activities	-	(86,794)
Profit/(loss) before income tax (expense)/benefit	-	(18,359)
Income tax (expense)/benefit relating to ordinary activities	-	1,533
Profit/(loss) from ordinary activities after income tax	-	(16,826)

	2003 $'000	2002 $'000

31. DISCONTINUING OPERATIONS (continued)

(ii) Asset disposals

The carrying amounts of total assets to be disposed of and total liabilities to be settled as at 30 June 2003 are as follows:

	2003 $'000	2002 $'000
Total Assets	97	1,041
Total Liabilities	72	1,294
Net Assets	25	(253)

During the financial year ended 30 June 2003, assets disposed of were as follows:

	2003 $'000	2002 $'000
Proceeds from disposition of non-current assets	-	413
Carrying amount of assets	-	(85)
Pre-tax profit/(loss) on disposition	-	328
Tax (expense)/benefit	-	(98)
Profit/(loss) on disposition after tax	-	230

(iii) Retail Division's cash flows during the year

	2003 $'000	2002 $'000
Operating	(278)	2,633
Investing	-	500
Financing	-	(6,453)
Net cash inflows/(outflows)	(278)	(3,320)

ASX Additional Information Year Ended 30 June 2003

Additional information required by the Australian Stock Exchange Ltd. not shown elsewhere in this report is as follows. The information is as at 2 September, 2003 (as the most practicable date close to the date of this report).

a) Statement of shareholdings

Holding Range	Name of 20 Largest Shareholders in Each Class of Share	No. of Holders	Ordinary Shares Fully Paid No. of Shares Held	% Held
100,001 or more	Carpar Investments Pty Ltd	1	28,117,000	18.44
	Kendorama Pty Ltd	1	7,900,268	5.18
	Monessa Gulf Pty Ltd	1	7,900,267	5.18
	Monaro Mill Pty Ltd	1	6,700,056	4.40
	Paranthoiene Superannuation Pty Ltd	1	5,000,000	3.28
	B S Carter Superannuation Pty Ltd	1	5,000,000	3.28
	Microbial Screening Technologies Pty Ltd	1	3,850,000	2.53
	CAPX Limited	1	2,254,120	1.48
	Invia Custodian Pty Ltd (Black A/C)	1	2,067,819	1.36
	Bircon Equity Pty Ltd	1	1,588,239	1.04
	L A Design Pty Ltd	1	1,535,687	1.01
	Bill Merambeliotis	1	1,200,000	0.79
	Corangamite Pty Ltd	1	1,145,106	0.75
	Acquisitive Pty Ltd	1	1,030,350	0.68
	Fisimia Pty Ltd	1	1,023,000	0.67
	Peter John Griffin	1	1,000,000	0.66
	Raynella Communication Services Pty Ltd	1	964,877	0.63
	Prudence Louise Bean	1	940,000	0.62
	Stephen Peter Byrne	1	900,000	0.59
	Smartzone Solutions Pty Ltd	1	850,000	0.56
	Others	122	29,920,729	19.63
	SUBTOTAL	142	110,937,518	72.77
10,001 - 100,000	Various	882	32,275,252	21.17
5,001 - 10,000	Various	541	4,555,929	2.99
1,001 - 5,000	Various	1,454	4,111,673	2.70
1 - 1,000	Various	780	565,765	0.37
	TOTAL	3,799	152,446,137	100.00

b) Voting rights

All ordinary shares carry one vote per share without restriction.

Corporate Governance Statement Year Ended 30 June 2003

A description of the Group's main corporate governance practices is set out below.

The Board of Directors

The Board:

+ is responsible for the corporate governance of the consolidated entity. Its overriding objective is to increase shareholder value within an appropriate framework which protects the rights and enhances the interests of shareholders and ensures the consolidated entity is properly managed;
+ shall comprise executive and non-executive directors with a majority of non-executive directors, including the chairman;
+ shall comprise directors with an appropriate range of qualifications and expertise;
+ shall meet at least six times during the year; and
+ shall establish a number of committees to assist in the execution of its duties.

Members of the various committees are listed in the Directors' Report, together with details of the number of meetings held during the year. The purpose of these committees and their main activities during the year is outlined below.

Audit Committee

The main responsibilities of the Audit Committee are to:

+ liaise directly with the auditors independently of management. This includes meeting with the auditors prior to the commencement of the annual audit to review the scope of the audit, and meeting with the auditors at the conclusion of the audit to review the auditors' closing report;
+ review and report to the Board on the annual report, the half year report and all other financial information published by the company; and
+ assist the Board in reviewing the organisation's reliability of financial reporting

Remuneration Committee

A Remuneration Committee has operated throughout the year and comprises all the non-executive Directors. The remuneration committee is responsible for recommending to the Board for approval the remuneration of the Directors. The Managing Director is responsible, within parameters set by the Remuneration Committee, for setting the remuneration of the executive management team.

Continuous disclosure/share trading

In accordance with Pracom's policy on continuous disclosure and to comply with ASX Listing Rules, the Company's Executive General Manager - Finance and Commercial acts as its continuous disclosure manager. This position carries the responsibility for monitoring and managing the disclosure of potentially price sensitive information to ASX and to the market. The Board will continue to review the company policy and monitor its application.

Corporate Directory

Directors

John Grigg (Chairman)
Bruce Carter
David Paranthoiene
Darryl Phillips
Rex Wood-Ward

Company Secretary

Elaine Farrelly

Registered Office

Level 12
555 Lonsdale Street
Melbourne, Victoria, 3000
Tel: (03) 9677 8888
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Solicitors

Deacons

Bankers

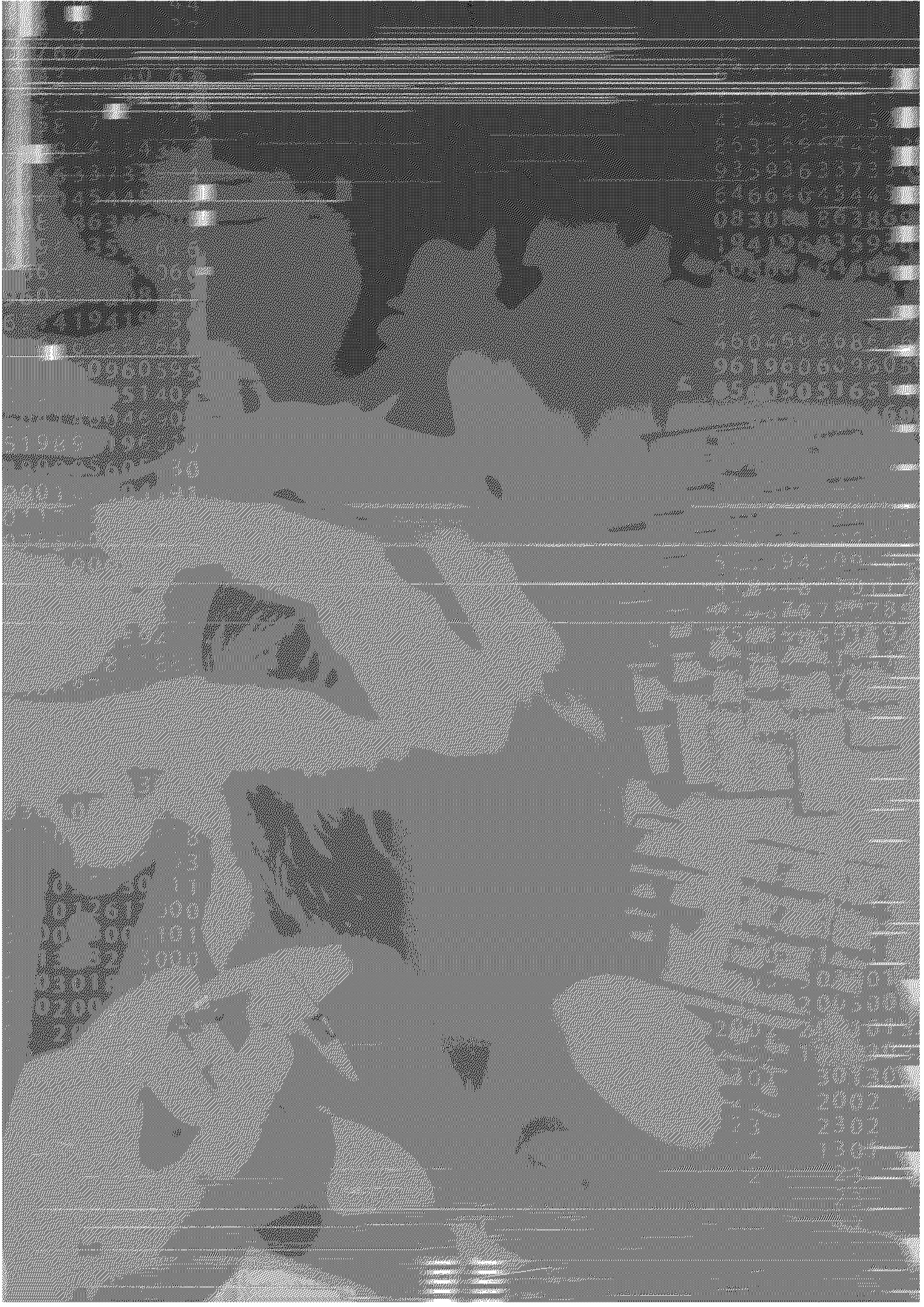
National Australia Bank Limited

Share Register

Computershare Registry Services Pty Ltd
Level 12
565 Bourke Street
MELBOURNE VIC 3000
(03) 9611 5712

Auditors

Ernst & Young



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