



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDITOR'S REPORT

New South Wales Government Telecommunications Authority and controlled entities

To Members of the New South Wales Parliament

I have audited the accompanying financial report of New South Wales Government Telecommunications Authority (the Authority), and the Authority and its controlled entity (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of recognised income and expense and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated entity comprises the Authority and the entities it controlled at the year's end or from time to time during the financial year.

Auditor's Opinion

In my opinion, the financial report:

- presents fairly, in all material respects, the financial position of Authority and the consolidated entity as of 30 June 2007, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations)
- is in accordance with section 41B of the *Public Finance and Audit Act 1983* (the PF&A Act) and the Public Finance and Audit Regulation 2005.

Acting Managing Director's Responsibility for the Financial Report

The Acting Managing Director is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the PF&A Act. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Acting Managing Director, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My opinion does *not* provide assurance:

- about the future viability of the Authority or consolidated entity,
- that they have carried out their activities effectively, efficiently and economically, or
- about the effectiveness of their internal controls.

Independence

In conducting this audit, the Audit Office has complied with the independence requirements of the Australian Auditing Standards and other relevant ethical requirements. The PF&A Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



M P Abood, CPA
Director, Financial Audit Services

22 October 2007
SYDNEY

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY (TELCO)

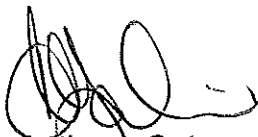
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2007

STATEMENT BY THE A/MANAGING DIRECTOR

Pursuant to the requirements of the *Public Finance and Audit Act 1983*, I declare that in my opinion:

- (a) The accompanying consolidated financial statements exhibit a true and fair view of the financial position and transactions of the NSW Government Telecommunications Authority and its subsidiaries as at 30 June 2007 and transactions for the year then ended;
- (b) The statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the *Public Finance and Audit Regulation 2005* and the Treasurer's Directions.

Further, I am not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



Anthony Gates
A/Managing Director
NSW Government Telecommunications Authority

19/10/07

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
INCOME STATEMENT					
FOR THE YEAR ENDED 30 JUNE 2007[
	Notes	Consolidated		Telco	
		Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Actual 2006 \$'000
Revenue					
Sale of goods and services	2(a)	5,642	4,924	-	-
Investment income	2(b)	85	81	-	-
Grants and contributions	2(c)	619	981	-	-
Other income	2(d)	-	16	-	-
Total Revenue		6,346	6,002	-	-
Expenses					
Operating expenses					
Employee related	3(a)	2,476	2,325	-	-
Other operating expenses	3(c)	3,023	3,338	-	-
Depreciation and amortisation	7	600	582	-	-
Financing costs	3(b)	11	15	-	-
Other expenses	3(d)	-	-	-	330
TOTAL EXPENSES		6,110	6,260	-	330
PROFIT/(LOSS)		236	(258)	-	(330)
NET LOSS ATTRIBUTABLE TO MINORITY EQUITY INTEREST		101	(111)	-	-
NET PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF TELCO	16	135	(147)	-	(330)

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
BALANCE SHEET					
AS AT 30 JUNE 2007					
	Notes	Consolidated		Telco	
		Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Actual 2006 \$'000
ASSETS					
Current Assets					
Cash and cash equivalents	4	1,507	1,818	-	-
Receivables	5	667	662	-	-
Other	8	29	14	-	-
Total Current Assets		2,203	2,494	-	-
Non-Current Assets					
Property, plant and equipment	7	1,294	1,372	-	-
Other financial assets	6	-	-	870	870
Total Non-Current Assets		1,294	1,372	870	870
Total Assets		3,497	3,866	870	870
LIABILITIES					
Current Liabilities					
Trade creditors and other payables	9	459	314	-	-
Short-term provisions	10	176	169	-	-
Interest bearing liabilities	11	166	287	-	-
Other	12	520	1,382	-	-
Total Current Liabilities		1,321	2,152	-	-
Non-Current Liabilities					
Long-term provisions	13	83	28	-	-
Other	14	36	37	-	-
Other Interest Bearing Liabilities	15	293	121	-	-
Total Non-Current Liabilities		412	186	-	-
Total Liabilities		1,733	2,338	-	-
Net Assets		1,764	1,528	870	870
EQUITY					
Retained earnings	16	4,501	4,366	870	870
Parent entity interest		4,501	4,366	870	870
Minority equity interest		(2,737)	(2,838)	-	-
Total Equity		1,764	1,528	870	870

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2007					
	Notes	Consolidated		Telco	
		Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Actual 2006 \$'000
Net income recognised directly in the equity		-	-	-	-
PROFIT / (LOSS) FOR THE YEAR		236	(258)	-	(330)
TOTAL RECOGNISED INCOME / (EXPENSES) FOR THE YEAR		236	(258)	-	(330)
EFFECT OF CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF ERRORS		-	-	-	-
Attributable to:					
Members of Telco		135	(147)	-	(330)
Minority Interest		101	(111)	-	-
		236	(258)	-	(330)

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY					
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007					
	Notes	Consolidated		Telco	
		Actual 2007 \$'000	Actual 2006 \$'000	Actual 2007 \$'000	Actual 2006 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments					
Payments to suppliers and employees		(5,203)	(5,456)	-	-
Financing costs		(63)	(46)	-	-
Total Payments		(5,266)	(5,502)	-	-
Receipts					
Receipts from operations		5,342	6,166	-	-
Interest received		85	81	-	-
Total Receipts		5,427	6,247	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	18	161	745	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(172)	(223)	-	-
NET CASH USED IN INVESTING ACTIVITIES		(172)	(223)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of interest bearing liabilities		(300)	(449)	-	-
NET CASH USED IN FINANCING ACTIVITIES		(300)	(449)	-	-
NET INCREASE / (DECREASE) IN CASH HELD		(311)	73	-	-
Cash and cash equivalents at the beginning of the financial year		1,818	1,745	-	-
Cash and cash equivalents at the end of the financial year	4	1,507	1,818	-	-

The accompanying notes form part of these statements.

NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The NSW Government Telecommunications Authority (Telco), as a reporting entity, comprises Telco in its own right and the Australian Centre for Advanced Computing and Communications Pty Ltd (ac3) in which Telco has a controlling interest.

The mission of the Authority (Telco), which is a wholly owned subsidiary of the Department of Commerce, is to enable the use of telecommunication infrastructure networks of Government agencies for the common carriage of Government communications and to enable the best commercial advantage to be obtained from any excess network capacity, infrastructure or facilities of Government agencies. Telco is classified as a not-for-profit entity as profit is not its principal objective.

The Australian Centre for Advanced Computing and Communications Pty Ltd (ac3) was registered as a proprietary company limited by shares under the Corporations Act 2001 on 10 November 2000. Telco holds 57% of the shares on behalf of the NSW Government and the remaining 43% are held by eight NSW based Universities.

This consolidated financial report for the year ended 30 June 2007 has been authorised for issue by the Acting Managing Director on 19 October 2007.

(b) Basis of Preparation

The financial statements of the consolidated entity are general purpose financial reports which have been prepared, except where stated, on an accrual basis at historical cost and in accordance with:

- applicable Australian Accounting Standards (which include Australian Equivalents to International Financial Reporting Standards (AEIFRS));
- the requirements of the *Public Finance and Audit Act 1983* and Regulation 2005.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

At the reporting date, a number of Accounting Standards adopted by the AASB has been issued but are not yet operative and have not been early adopted by Telco. The following is a list of these standards:

- AASB 7 & AASB 2005-10 regarding financial instrument disclosures;
- AASB 8 & AASB 2007-3 regarding operating segments;
- AASB 101 (Oct 2006) regarding presentation of financial statements;
- AASB 123 (June 2007) and AASB 2007-6 regarding borrowing costs;
- AASB 1049 regarding the general government sector and GFS/GAAP convergence;
- AASB 2007-4 regarding Australian additions to and deletions from IFRSs;
- AASB 2007-5 regarding inventories held for distribution by not-for-profit entities;
- Interpretation 4 (Feb 2007) regarding determining whether an arrangement contains a lease;
- Interpretation 10 regarding interim financial reporting;
- Interpretation 11 & AASB 2007-1 regarding group and Treasury share transactions;
- Interpretation 12 & AASB 2007-2 regarding service concession arrangements;
- Interpretation 129 (Feb 2007) regarding service concession disclosures.

It is considered that the implementation of these Standards will not have any material impact on Telco's financial results.

All amounts are rounded to the nearest one thousand dollars.

(c) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and money market investments readily convertible to cash.

(d) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible 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.

(e) Capitalisation Thresholds

Items of plant and equipment are capitalised when their costs exceed the threshold of \$1,000 and they meet the definition and recognition criteria for an asset.

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

(f) Valuation of Property, Plant and Equipment

Physical plant and equipment is valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP 07-01).

Property, plant and equipment are measured at depreciated historical cost, as a surrogate for fair value.

(g) Depreciation of Property, Plant and Equipment

Depreciation is provided on a straight-line basis on all property, plant and equipment. Major depreciation periods are:

Plant and equipment	4 to 8 years
Furniture and fittings	5 years

(h) Leases

Leases of plant and equipment, where substantially all the risks and benefits incidental to ownership of the asset, but not legal ownership, are transferred to the Authority are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

(i) 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.

(j) 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:

Rendering of Services - Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. 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.

(k) Income tax

Telco is a tax-exempt entity. Telco's subsidiary is not tax exempt and applies the following policy.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(l) 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, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits are measured at their nominal amounts using remuneration rates expected to apply at the time of settlement. As the long service leave liabilities expected to be payable in greater than one year are of small dollar value, any present value effect would be immaterial.

(m) Administrative and Managerial Support

The Department of Commerce continues to provide expertise, assistance and administrative support to Telco. No fee was paid for the services during 2006/07 as Telco's operations have been minimal. ac3 manages its own affairs.

(n) Other Financial Assets

Telco's investment in ac3 is classified as an available for sale financial asset. It is revalued periodically and revaluation decrements have been recognised as expenses in the income statement.

(o) Goods and Services Tax (GST)

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

(p) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Authority (the parent entity) and its controlled entities as defined in the Accounting Standard AASB 127 *Consolidated and Separate Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Authority obtains control and until such time as the Authority ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

2. REVENUES**(a) Sale of Goods and Services**

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Fees and charges	5,642	4,924	-	-
	5,642	4,924	-	-

(b) Investment Income

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Interest	85	81	-	-
	85	81	-	-

(c) Grants and Contributions

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Australian Partnership for Advanced Computing Grant (APAC)	619	981	-	-
	619	981	-	-

(d) Other Revenue

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Other Revenue	-	16	-	-
	-	16	-	-

3. EXPENSES**(a) Employee Related Expenses**

Employee Related Expenses comprise the following specific items:

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Salaries and wages (including recreation leave)	2,107	1,947	-	-
Superannuation	194	184	-	-
Staff recruitment	5	1	-	-
Payroll tax	112	108	-	-
Annual leave and long service leave expenses	58	85	-	-
	2,476	2,325	-	-

(b) Borrowing Cost

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Interest	11	15	-	-
	11	15	-	-

(c) Other Operating Expenses

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Operating lease rental expense - minimum lease payments	53	30	-	-
Rent	248	228	-	-
Repairs and maintenance	212	140	-	-
Information management and technology	-	42	-	-
Telecommunications	307	298	-	-
Auditor's remuneration - audit of financial reports	25	24	-	-
Director's remuneration	104	110	-	-
APAC membership fee	167	333	-	-
APAC payments	473	690	-	-
Cost of goods sold	421	604	-	-
Other	1,013	839	-	-
	3,023	3,338	-	-

No payment was made to the Directors of Telco in the current financial year and the previous financial year.

Fees paid to the Directors of ac3 totalled \$104,000. (4 in the band \$10,000 - \$19,999; 2 in the band \$20,000 - \$29,999.)

The audit fee for the audit of ac3 Financial Report was \$25,000. The auditor received no other benefit. Department of Commerce paid the audit fees for the audit of Telco and accounting administration fees on behalf of the Authority.

(d) Other Expenses

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revaluation Decrement - Investment in ac3	-	-	-	330
	-	-	-	330

4. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash at bank and on hand	1,507	1,818	-	-
	1,507	1,818	-	-

For the purposes of the Cash Flow Statement, cash includes cash on hand and cash at bank.

Cash assets recognised in the Balance Sheet are reconciled to cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement as follows:

Cash and cash equivalents (per Balance Sheet)	1,507	1,818	-	-
Closing cash and cash equivalents (per Cash Flow Statement)	1,507	1,818	-	-

5. CURRENT ASSETS - RECEIVABLES

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current Receivables				
Sale of goods and services	667	662	-	-
	667	662	-	-

6. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Other Financial Assets available for sale				
Shares in ac3 Pty Ltd	-	-	870	870
	-	-	870	870

7. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Plant and Equipment				
At fair value	6,075	5,553	-	-
Accumulated depreciation	(4,781)	(4,181)	-	-
Net Book Value	1,294	1,372	-	-

Reconciliation - 2007

	Plant & Equipment \$'000	Furniture & Fittings \$'000	Leased Assets \$'000	Total \$'000
Carrying amount at the beginning of year	618	90	664	1,372
Additions	167	3	352	522
Depreciation expense	(344)	(35)	(221)	(600)
Carrying amount at the end of year	441	58	795	1,294

Management considers that the written down value of all other assets as at 30 June 2007 approximates the fair value.

Reconciliation - 2006

	Plant & Equipment \$'000	Furniture & Fittings \$'000	Leased Assets \$'000	Total \$'000
Carrying amount at the beginning of year	714	102	872	1,688
Additions	200	22	44	266
Depreciation expense	(297)	(35)	(250)	(582)
Carrying amount at the end of year	617	89	666	1,372

8. CURRENT ASSETS - OTHER

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Current Assets - Other				
Prepayments	29	14	-	-
	29	14	-	-

9. CURRENT LIABILITIES - TRADE CREDITORS & PAYABLES

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Trade creditors	139	12	-	-
Other	320	302	-	-
	459	314	-	-

10. CURRENT LIABILITIES - SHORT-TERM PROVISIONS

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Long service leave	20	-	-	-
Recreation leave	156	150	-	-
Provision for premises relocation	-	19	-	-
	176	169	-	-

11. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Lease liability	166	287	-	-
	166	287	-	-

12. CURRENT LIABILITIES - OTHER

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Revenue in advance	520	1,382	-	-
	520	1,382	-	-

13. NON-CURRENT LIABILITIES - LONG TERM PROVISIONS

	Consolidated		Telco	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Liability for Long Service Leave	60	28	-	-
Provision for premises relocation	23	-	-	-
	83	28	-	-

14. NON-CURRENT LIABILITIES - OTHER

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue in advance	36	37	-	-
	36	37	-	-

15. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Lease liability	293	121	-	-
	293	121	-	-

16. CHANGES IN EQUITY

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Contributed Equity				
Retained earnings:				
Balance at the beginning of the financial year	4,366	4,513	870	1,200
Net profit/(loss) attributable to members of Telco	135	(147)	-	(330)
Balance at the end of the financial year	4,501	4,366	870	870
Minority Equity Interest				
Minority equity interest in controlled entity comprises:				
Australian Centre for Advanced Computing and Communications Pty Limited	(2,737)	(2,838)	-	-
Represented by:				
Interest in accumulated losses at end of financial year	(5,657)	(5,758)	-	-
Interest in contributed equity	2,920	2,920	-	-
Total Minority Equity Interest	(2,737)	(2,838)	-	-

17. COMMITMENTS FOR EXPENDITURE**(a) Other Expenditure Commitments**

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Aggregate other expenditure for the acquisition of items as detailed below contracted for at balance date and not provided for:				
Not later than one year	118	69	-	-
Later than one and not later than five years	147	39	-	-
Total (including GST)	265	108	-	-

The total "other expenditure commitments" above includes input tax credits of \$24,000 that are expected to be recovered from the Australian Taxation Office.

(b) Operating Lease Commitments

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Future non-cancellable operating lease rentals not provided for and payable for accommodation and equipment:				
Not later than one year	325	50	-	-
Later than one and not later than five years	345	96	-	-
Total (including GST)	670	146	-	-

(c) Finance Lease Commitments

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Future non-cancellable finance lease payments payable for equipment				
Not later than one year	199	298	-	-
Later than one and not later than five years	350	124	-	-
Minimum lease payments	549	422	-	-
Later than one and not later than five years	(90)	(14)	-	-
Total (including GST)	459	408	-	-
Included in the financial statements as:				
Current interest bearing liabilities	166	287	-	-
Non-Current interest bearing liabilities	293	121	-	-
Total Interest bearing liabilities	459	408	-	-

18. RECONCILIATION OF NET PROFIT/(LOSS) TO NET CASH FLOWS FROM OPERATIONS

	Consolidated		Telco	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Net Profit / (Loss)	236	(258)	-	(330)
Non-Cash Items				
Depreciation	600	582	-	-
Changes in Assets and Liabilities				
(Increase)/decrease in receivables	(5)	(87)	-	-
(Increase)/decrease in other assets	(25)	1	-	330
(Decrease)/increase in prepayments	(862)	-	-	-
(Decrease)/increase in payables/provisions	269	452	-	-
(Decrease)/increase in liabilities	(52)	55	-	-
Net Cash Flow from/(used in) Operating Activities	161	745	-	-

19. SEGMENT REPORTING

The consolidated entity operates in one business and geographical segment, being the provision of Managed Co-location Services in New South Wales.

20. FINANCIAL INSTRUMENTS**(a) Interest Rate Risk**

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

	Weighted Average Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Non Interest Bearing	
					Within 1 Year		1 - 5 Years			
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Financial Assets										
Cash	4.59%	4.56%	1,507	1,818	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	667	662
Total Financial Assets	-	-	1,507	1,818	-	-	-	-	667	662
Financial Liabilities										
Payables	-	-	-	-	-	-	-	-	489	314
Lease Liabilities	-	-	-	-	166	287	293	121	-	-
Total Financial Liabilities	-	-	-	-	166	287	293	121	489	314

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the Balance Sheet and notes to the financial report.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under the financial instruments entered into by the entity.

(c) Net Fair Values

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and in the notes to the financial statements.

21. CONTINGENT LIABILITIES AND ASSETS

The consolidated entity is not aware of any contingent liabilities or assets associated with its operations.

22. AFTER BALANCE DATE EVENTS

There were no after balance date events.

END OF AUDITED FINANCIAL STATEMENTS