



31 March 2005

The Manager
Company Announcements Office
Australian Stock Exchange

Dear Sir/Madam,

We enclose the Annual Report for Tele-IP Ltd consolidated group including the Chairman and Managing Director's reports, Directors' Report and Declarations, Financial Statements, Auditor's Report and ASX listing requirements for the year ending 31 December 2004 in accordance with the Corporations Act 2001 and ASX Listing Rules.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Ian May', is written over a horizontal line.

Ian May
Managing Director

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Tele-IP Limited ABN 39 010 568 804 will be held at Room Two, Level 3, 600 Bourke Street, Melbourne on 18th May at 2.00pm.

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Directorate

NON-EXECUTIVE CHAIRMAN

Dr Colin McLean Adam

MANAGING DIRECTOR

Mr Ian Dean May

EXECUTIVE DIRECTOR

Mr Andrew Louis Martin

NON-EXECUTIVE DIRECTOR

Mr Anthony Peter Bigum

NON-EXECUTIVE DIRECTOR

Dr Maurice Morey Venning

NON-EXECUTIVE DIRECTOR

Mr Christopher John Eade

COMPANY SECRETARY

Mr John Gordon McCormack

Registered Office

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Share register

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Solicitors to the Company

Tress Cocks & Maddox

469 LaTrobe Street

Melbourne, Vic, 3000

Ph: (03) 9602 9444

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ASX Home Branch

Brisbane

ASX Code

TEE

CHAIRMAN'S REPORT

I am pleased to report an improvement in our revenue to almost \$7 million, but the underlying profit has been disappointing due to substantial increases in development costs associated with growing both the Beam Communications and Network Services businesses. StratoSonde continues to require development capital which we have provided from existing shareholder's funds.

Company Profile

During the year Iridium Satellite announced it was to introduce a new L-band transceiver (LBT) which adversely affected sales of our existing Beam Communications products, and required us to invest in developing new LBT technology. This new technology has been anticipated by the market during the latter part of 2004 and augers well for the future of this business line. In the Network Services area, your Board took the decision to pursue acquisitions of complementary businesses to grow this area of expertise. StratoSonde development has been constrained to respond to near-term opportunities, while taking every opportunity to expose the technology to international opportunities.

Network Services

Good opportunities for provision of combined voice and data services will exist for some years as Australian companies continue to invest in new telecommunications infrastructure. Tele-IP has been encouraged by one of our major international hardware suppliers to become a national, rather than a regional, infrastructure supplier and we anticipate higher margin sales as a consequence. During the year, the International Telecommunications Union formally adopted Andrew Martin's DRA technology for optimisation of existing wireless lines, thus recognizing his pioneering work in this area. Tele-IP has a very good reputation in wireless technology, and expansion of our Network Services business is warranted.

Beam Communications

Our small technical development team has done an excellent job in positioning our new LBT technology into Beam products for the global market, well ahead of competitive products. Tele-IP has extended its relationship agreement with Telstra to include new products which should result in better penetration of our Beam product line in the Australian market. Beam Communications remains a high margin growth business.

StratoSonde

StratoSonde has continued to develop and refine our exceptional acoustic profiling technology for meteorological and wind-shear assessment in the lower atmosphere. During the year, we failed to win funding support from the Australian Research and Development Board due to the company's perceived inability to provide matching development capital. Rather than continue to use shareholder's funds, your Board has reluctantly decided to seek external venture partners to provide further development capital for this technology. The company is in the early stages of negotiating some Australian defence-related development applications, but the pathway to a profitable business remains slow.

Capital Raising and Acquisitions

The Tele-IP Board and management have approved a rights issue to raise sufficient capital to acquire two existing telecommunications infrastructure businesses. These acquisitions should position Tele-IP to undertake larger installation projects with higher profitability in integrated voice and data services. Management is aware of the challenges involved in integrating these businesses and the Board will be actively involved in overseeing this project. The outlook for the combined business is very positive.

Corporate Governance

We have implemented a program of full compliance with ASX requirements in this area, and have adopted several new procedures – albeit slowly considering we are a small company. I anticipate some changes to our Board to accommodate additional skills as our company grows in capability and confidence. The Board remains committed to further development of the company, and is optimistic about future prospects and growth.



Dr Colin Adam
Chairman

Managing Director's Report

Revenue for Tele-IP increased year on year to a record \$6,907,592, an increase of 51%, with associated expenses including product development, manufacturing and cost of goods sold increasing to \$5,244,185, up from \$1,565,520. Higher than normal expenses were incurred in the bringing to market of the new Beam product range, the implementation of a new integrated financial system across all three entities and on-going StratoSonde research and development costs, reflecting a loss of \$1,541,924 for the year.

The financial outcome for the year was not satisfactory from the company's point of view, however, when abnormal costs and investment expenses are taken into account, the trading loss incurred from normal business activities was not significant and actions have been taken to better manage the abnormal events that produced this result. Fixed overheads have continued to be reduced through close management and the major growth in revenue reflects well on the strategies employed by the company during 2002 – 2003.

2004, for Tele-IP, was a trading year in two distinct halves, the first half reflecting significant revenue growth achieved through major Beam orders received in 2003 and also a number of significant orders for our network services division during that first half. The balance of 2004 demonstrated a slightly lower than budgeted revenue performance, but still met year on year expectations as forecast to the market in August. Overall, a very good revenue performance in a highly competitive market.

The Beam Communications division established itself in major vertical markets including asset tracking, transport and marine markets overseas, and further significant orders received from Telstra here in Australia. Beam has now received orders from more than 15 different resellers and distributors of satellite products during the past year representing significant penetration of the distribution channels overseas.

Beam has continued to develop added-value products to its range of core Remote Satellite Terminals, including in-vehicle hands free car kits, remote tracking devices using GPS, special remote use telemetry kits, docking stations and in-flight aviation units. More than 30% of Beam's 2004 revenues have come from new products developed to meet specific market applications.

The last few months of 2004 and indeed the first three months of 2005, have seen low volume deliveries of the new Iridium transceiver modules. This had a flow-on effect that saw Beam revenues slow in the latter part of the year and impacted much of the advancement Beam had established in the first part of 2004. Development continued during that time to ensure that the entire Beam product range was made compatible with this new transceiver. Whilst this integration and new product development has continued to maintain a disproportionate level of expense, Beam is now well positioned to deploy products across a broad span of vertical markets and applications.

The Network Services division continued to make large strides forward during 2004. This was recognised by the confidence displayed by a number of customers and prospects to place large orders with Tele-IP for network communications products such as switches, routers and hubbing equipment. The latter part of the year saw more orders for the site planning and network deployment of large wireless point-to-point and local area networks. Much of this business was gained through existing customers or references from them, recognising Tele-IP's expertise in this market. Tele-IP is now partnering with other suppliers, in order to supply complete end to end solutions, in a growing number of major projects in this market.

StratoSonde continued to refine and develop its software and hardware technologies on a limited budget. Presentations were made to a number of overseas companies and government agencies in the USA and Europe and strong interest continues from a number of parties, with a need to deploy trial systems. Further investment in the atmospheric profiler will be necessary to enable deployment of such trials, and as a result, Tele-IP has announced that it is currently not intending to fund this scale of investment out of the cash flows of its trading entity.

With Beam revenues projected to continue with positive growth during 2005 and on-going network services business on track to maintain its positive position in the market place, we feel that the platform and strategy for a successful 2005 is in place.



Ian May
Managing Director

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 31 December 2004.

Directors

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

Dr Colin Adam – Non Executive Chairman

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

Age 61

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

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

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

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

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

Ian May – Managing Director

AMP – University of Hawaii

Age 56

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

Recently, Ian held the position of Director of the Business division of Optus Communications, Optus' largest division based on revenue, and was responsible for all operational

areas including strategy, marketing, sales, distribution, channel management, telemarketing and customer service.

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

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

Andrew Martin – Executive Director and Chief Technical Officer

B.EEng FIE Aust

Age 59

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

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

Andrew has received formal recognition and acclaim as follows:

A Clunies Ross National Science and Technology Award in 1999.

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

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

Dr Maurice Venning – Non Executive Director

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

Age 55

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

Christopher John Eade – Non Executive Director

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

Age 33

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

Anthony Peter Bigum – Non Executive Director

Age 56

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

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

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

PRINCIPAL ACTIVITIES

The principal activities of the company and its controlled entities during the year were:

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

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

RESULTS AND REVIEW OF OPERATIONS

The Economic Entity incurred a consolidated loss before income tax of \$1,840,661 from revenue of \$6,907,592.

Revenue increased from \$4,573,271 in the 2003 year to \$6,907,592 in the 2004 year, however the gross profit margin decreased from \$3,007,751 (65%) to \$1,633,407 (24%) due to change in the mix of products sold and expenses associated with bringing new products to market.

Borrowing expenses of \$456,394 (\$62,726 in the previous year) were incurred as a consequence of increased short term borrowings.

Other operating expenses also increased from \$2,281,331 in the 2003 year to \$3,008,100 in the 2004 year.

The company has announced the proposed acquisition of two businesses which provide infrastructure facilities in the telecommunications business which will provide significant revenue and profit contribution to the group in the current year.

DIVIDENDS PROPOSED OR RECOMMENDED

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Apart from the matters covered elsewhere in this report there were no significant changes in the state of affairs of the economic entity during the financial year.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may

significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in subsequent financial years.

ENVIRONMENTAL ISSUES

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

FUTURE DEVELOPMENTS

The company will continue the development and commercialisation of the telecommunication and network management systems, complete the acquisition of complimentary business and carry out further research and develop its intellectual properties.

OPTIONS

Options that were granted over unissued ordinary shares during the financial year by the parent company to Directors, specified executives, or any of the five most highly remunerated officers as part of their remuneration are detailed in Note 17 of the Financial Statements.

No other options were granted over unissued shares since the end of the financial year to the date of this report

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

Option holders do not have any right to participate in any share issue of the parent company until such time as the option has been exercised. No person entitled to exercise any option granted by the parent company has or had, by virtue of the option granted, a right to participate in any share issue of any other body corporate.

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

Grant Date	Date of Expiry	Exercise Price	
	Number Under Option		
23.10.01	30.6.06	\$0.05	456,500
23.10.01	30.6.06	\$0.05	1,199,500
30.5.02	31.12.06	\$0.05	1,000,000
30.5.02	31.12.07	\$0.08	3,000,000
30.5.02	31.12.08	\$0.08	3,000,000
30.5.02	31.12.09	\$0.08	3,000,000
18.3.03	30.6.08	\$0.02	900,000
17.5.04	31.12.06	\$0.02	1,250,000
1.7.04	1.7.07	\$0.04	1,150,000
19.8.04	31.12.06	\$0.05	4,000,000
8.9.04	31.12.09	\$0.06	2,000,000
8.9.04	31.12.10	\$0.10	<u>2,000,000</u>
			<u>22,956,000</u>

INDEMNIFICATION OF OFFICERS

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

DIRECTORS' INTERESTS

At the date of this report, the relevant interests of the directors in the securities of the parent company are:

	Tele-IP Ltd Ordinary Shares	Tele-IP Ltd Options
Dr C M Adam	-	2,000,000
Mr A L Martin	30,370,265	2,000,000
Mr I D May	100,000	10,000,000
Dr M M Venning	2,591,000	-
Mr C J Eade	1,754,552	-
Mr A P Bigum	3,626,000	-

The above table of directors' interest should be read in conjunction with the accompanying notes.

DIRECTORS' MEETINGS

During the year the parent company had 14 meetings of directors. The attendances of the directors at meetings of the Board and its Committees were:

Director	Board of Directors		Committees	
	Attended	Maximum Possible Attended	Attended	Maximum Possible Attended
Dr C M Adam	11	12	1	2
Mr I D May	14	14		
Mr A L Martin	11	14		
Dr M M Venning	14	14	2	2
Mr C J Eade	13	14	3	3
Mr A P Bigum	14	14	3	3

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

DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

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

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

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

The emoluments of each Director, specified executives and each of the five executive officers receiving the highest emoluments as at 31 December 2004 are detailed in Note 17 of the Financial Statements.

NON-AUDIT SERVICES

The amounts paid to the auditor, Pitcher Partners, for non-audit services provided during the financial year by the auditor amounted to \$37,543.

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the company's auditors, Pitcher Partners, to provide the directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 31 December 2004. The Auditor's Independence Declaration is attached and forms part of this Directors' Report.

Signed in accordance with a resolution of the Board of Directors dated 31st March, 2005.



Colin Adam
Chairman



PITCHER PARTNERS

ACCOUNTANTS AUDITORS & ADVISORS

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AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL - OFFICES THROUGHOUT THE WORLD

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF TELE-IP LIMITED

In relation to our audit of the financial report of Tele-IP Limited for the year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PITCHER PARTNERS

R C Brown
Partner

Brisbane, 31 March 2005

Corporate Governance Statement

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

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

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

The Role of the Board of Directors

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

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

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

- reporting to shareholders; and
- approves decisions concerning the capital of the company group, including capital restructures and significant changes to major financing arrangements.

The Role of Management

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

Board Processes

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

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

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

Appointment of Directors

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

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

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

Directors Independence

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

Board Performance Assessment

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

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

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

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

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

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

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

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

Retirement of Directors

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

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

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

Chairman's Appointment and Responsibilities

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

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

Conduct of Board Business

The Board normally holds monthly formal board meetings each year and will also meet whenever necessary to carry out its responsibilities. In 2005, the board and/or its committees met 14 times.

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

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

Conflicts of Interest

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

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

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

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

Access to Information

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

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

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

Independent Professional Advice

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

Code of Conduct

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

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

Share Trading Policy

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

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

Purchase or Sale of Company's shares and/or options over such shares by Directors, Executives and Staff of the Company should only occur in circumstances where the market is considered to be fully informed of the Company's activities. This policy requires that the relevant person notify the Company Secretary of their intention to trade in the Company's shares and/or options over such shares prior to transaction and that the Company Secretary be

required to discuss the proposed trading intentions with either the Chairman or the Managing Director. The Board recognises that it is the individual responsibility of each Director to carry this policy through.

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

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

CEO and CFO Assurance

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

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

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

Committees

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

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

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

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

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

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

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

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

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

Auditor independence

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

The key points covered by the Charter include:

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

Risk Management

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

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

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

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

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

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

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

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

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

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

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

- to monitor the Group's compliance with the continuous disclosure requirements of the ASX; and

- to assess the effectiveness of its risk management and control framework.

Remuneration

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

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

The aggregate amount payable to the Company's Non-executive Directors must not exceed the maximum annual amount approved by the Company's shareholders..

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

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

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

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

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

Fixed Salary

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

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

Performance Bonus

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

Long-Term Incentives

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

Other Benefits

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

Termination Payments

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

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

Compliance

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

Interest of Stakeholders

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

section of this statement, and the Group's core values which are to:

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

Communication with Shareholders

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

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

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

The Board must ensure that company announcements:

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

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

Annual General Meeting (AGM)

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

Website Information

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

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

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

Statements of Financial Performance

For the year ended 31 December 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenues from ordinary activities	2	6,907,592	4,573,271	4,370,883	3,640,004
Cost of sales	2	(5,244,185)	(1,565,520)	(2,977,751)	(544,648)
Depreciation and amortisation expense	2	(39,573)	(48,919)	(39,573)	(48,919)
Borrowing costs expense	2	(456,394)	(62,726)	(454,086)	(62,726)
Other expenses from operating activities	2	(3,008,100)	(2,281,331)	(2,415,004)	(2,342,308)
Other expenses from non-operating activities	2	-	(598,105)	(331,677)	(907,664)
Profit(loss) from ordinary activities before income tax		(1,840,661)	16,670	(1,847,208)	(266,261)
Income tax (expense)benefit relating to ordinary activities	4	298,737	-	298,737	-
Net Profit (Loss)		(1,541,924)	16,670	(1,548,471)	(266,261)
Non-owner changes in equity		-	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(1,541,924)	16,670	(1,548,471)	(266,261)
Basic earnings per share (cents)	21	(0.86)	0.01		
Diluted earnings per share (cents)	21	(0.86)	0.01		

Statements of Financial Position

As at 31 December 2004

	Note	Economic Entity		Parent Entity	
		2004	2003	2004	2003
		\$	\$	\$	\$
CURRENTS ASSETS					
Cash assets		476,693	239,556	358,910	239,300
Inventories	5	1,137,922	1,617,594	572,378	1,617,594
Receivables	6	520,544	1,433,928	893,628	1,451,247
TOTAL CURRENT ASSETS		2,135,159	3,291,078	1,824,916	3,308,141
NON -CURRENT ASSETS					
Receivables	6	43,750	43,000	43,750	43,000
Other financial assets	7	-	-	6	6
Plant & equipment	8	89,466	108,726	89,466	108,726
Other	9	466,000	300,000	-	-
TOTAL NON -CURRENT ASSETS		599,216	451,726	133,222	151,732
TOTAL ASSETS		2,734,375	3,742,804	1,958,138	3,459,873
CURRENT LIABILITIES					
Payables	10	2,822,962	2,217,945	2,336,203	2,217,945
Provisions	11	158,329	153,673	158,329	153,673
Deferred revenue	12	97,057	178,047	97,057	178,047
TOTAL CURRENT LIABILITIES		3,078,348	2,549,665	2,591,589	2,549,665
TOTAL LIABILITIES		3,078,348	2,549,665	2,591,589	2,549,665
NET ASSETS		(343,973)	1,193,139	(633,451)	910,208
EQUITY					
Contributed equity	13	10,535,949	10,531,137	10,535,949	10,531,137
Accumulated losses	14	(10,879,922)	(9,337,998)	(11,169,400)	(9,620,929)
TOTAL EQUITY		(343,973)	1,193,139	(633,451)	910,208

Statements of Cashflows

For the year ended 31 December 2004

Note	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash flows relating to operating activities				
Receipts from customers	8,401,013	3,205,668	5,483,233	3,205,668
Payments to suppliers and employees	(8,863,927)	(4,456,780)	(6,063,628)	(4,456,780)
Research and development tax offset	298,737	-	298,737	-
Interest received	14,554	2,882	14,508	2,882
Interest and finance charges paid	(171,340)	(95,818)	(171,340)	(95,818)
Net operating cash flows	3	(320,963)	(438,490)	(1,344,048)
Cash flows relating to investing activities				
Purchases of property, plant and equipment	(20,313)	(16,983)	(20,313)	(16,983)
Proceeds - sale of NMS portfolio	50,000	-	50,000	-
Proceeds - sale of non current assets	-	1,568	-	1,568
Proceeds - Sale of Shares	-	166,595	-	-
Net investing cash flows	29,687	151,180	29,687	(15,415)
Cash flows relating to financing activities				
Net cash proceeds from issue of shares	4,813	488,388	4,813	488,388
Net cash proceeds - Loans	523,600	973,000	523,600	1,139,595
Loan to controlled entity	-	-	-	(250)
Net financing cash flows	528,413	1,461,388	528,413	1,627,733
Net increase / (decrease) in cash held	237,137	268,520	119,610	268,270
Cash at beginning of year	239,556	(28,964)	239,300	(28,970)
Cash at end of financial year	476,693	239,556	358,910	239,300

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the economic entity of Tele-IP Limited and controlled entities, and Tele-IP Limited as an individual parent entity. Tele-IP Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Costs are based on the fair values of the consideration given in exchange for assets.

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

(a) Principles of Consolidation

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

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

(b) Income tax

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

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

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

(c) Plant & Equipment

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

(d) Foreign Currency

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

the Statement of Financial Performance for the year.

(e) Employee Benefits

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

(f) Inventories

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

(g) Deferred Income

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

(h) Cash

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

- (i) Cash on hand and at call deposits with banks or financial institutions; and
- (ii) Investments in short term money market instruments.

(i) Revenue Recognition

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

(j) Financial Instruments

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

(k) Leases

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

(l) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office.

In these circumstances the GST is recognised as part of the asset or expense cost. Receivables and Payables are shown in the Statement of Financial Position as inclusive of GST.

(m) Technology Costs Capitalised

Deferred technology costs in respect of products developed by a controlled entity have been capitalized and will be written off over a three-year period commencing in the 2005 year.

(n) Adoption of Australian Equivalents to International Financial Reporting Standards

Australian reporting entities are required to comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as from financial years commencing 1 January 2005. Accordingly AIFRS will be first reflected in the economic entity's financial reports for the half year ended 30 June 2005 and the year ended 31 December 2005. Financial statements currently presented for the year ended 31 December 2004 will be required to be restated as comparative information in accordance with AIFRS.

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

Whilst the monetary impact of the changes in accounting policies has not as yet been quantified, the Directors are of the opinion that the key differences in accounting policies that are expected to arise from the adoption of AIFRS are:

a) Share Based Payments

AIFRS introduces a requirement for the economic entity to recognise remuneration based share, rights and option issues. The fair value of share, rights or options at grant date is required to be expensed over expected vesting periods.

b) Deferred Technology Cost Expenditure

Deferred technology costs in respect of product research and development conducted by the economic entity currently capitalised and amortised will be required to be expensed in the period in which incurred.

c) Taxation

The economic entity will be required to adopt a balance sheet approach to determining deferred tax items. This approach is based upon a comparison of carrying amounts of assets and liabilities with their tax base which may identify more deferred tax differences than presently identified under the current tax effect accounting method.

2 PROFIT FROM ORDINARY ACTIVITIES

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Profit from ordinary activities before income tax is arrived at after taking into account:				
(a) Revenue				
Operating activities				
- Equipment and software sales	5,968,861	3,534,140	2,846,108	2,055,567
- Wireless installations and sales	143,172	125,341	143,172	125,341
- Business services	593,611	630,175	593,611	630,175
- Equipment hire	113,750	-	85,400	-
- Interest	14,554	2,882	14,508	2,882
- Other	23,644	514	20,294	514
	<u>6,857,592</u>	<u>4,293,052</u>	<u>3,703,094</u>	<u>2,814,479</u>
Non-operating activities				
- Management fees	-	-	617,789	600,306
- Sale of NMS portfolio	50,000	-	50,000	-
- Proceeds on disposal of plant and equipment	-	1,568	-	1,568
- Write back in provision for unsecured loan	-	112,057	-	112,057
- Write back in provision for controlled entity loan	-	-	-	111,594
- Proceeds on sale of shares	-	166,594	-	-
	<u>50,000</u>	<u>280,219</u>	<u>667,789</u>	<u>825,525</u>
Total revenue	<u>6,907,592</u>	<u>4,573,271</u>	<u>4,370,883</u>	<u>3,640,004</u>

2 PROFIT FROM ORDINARY ACTIVITIES (cont)

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
(b) Cost of sales				
Opening inventories	1,617,594	1,153,208	1,617,594	1,153,208
Add: Purchases	4,764,513	2,029,906	1,932,535	1,009,034
	6,382,107	3,183,114	3,550,129	2,162,242
Closing inventories as referred in Note 5	(1,137,922)	(1,617,594)	(572,378)	(1,617,594)
	5,244,185	1,565,520	2,977,751	544,648
(c) Depreciation and amortisation expense				
- Depreciation of plant and equipment	39,573	48,919	39,573	48,919
(d) Borrowing costs				
Interest and bank charges paid				
- Director related entities	30,733	-	30,733	-
- Other persons	358,269	35,299	355,961	35,299
Facility fees for loans				
- Director related entities	13,791	6,209	13,791	6,209
- Other persons	53,601	21,218	53,601	21,218
Total borrowing costs	456,394	62,726	454,086	62,726
(e) Other expenses from ordinary activities				
Operating activities				
- Employee costs	1,692,991	1,382,240	1,692,991	1,682,240
- Consultancy fees	186,837	139,475	100,156	26,611
- Computer costs	79,262	14,495	76,456	14,495
- Patents and trademarks	26,000	30,527	26,000	-
- Directors fees	70,000	45,000	70,000	45,000
- Share registry costs	50,784	70,140	50,784	70,140
- Insurance	71,401	58,047	44,457	58,047
- Rent expenses	95,770	149,494	63,884	149,494
- Other general administration	725,600	383,776	280,821	288,144
Rental expense on operating leases				
- minimum lease payments	9,455	8,137	9,455	8,137
	3,008,100	2,281,331	2,415,004	2,342,308
Non-operating activities				
- Cost of share investment sold	-	55,000	-	-
- Carrying amount of plant and equipment disposed	-	2,124	-	2,124
- Provision for non recovery of controlled entity loan	-	-	331,677	364,559
- Bad and doubtful debts - trade debtors	-	540,981	-	540,981
	-	598,105	331,677	907,664
Total other expenses	3,008,100	2,879,436	2,746,681	3,249,972
Profit (loss) from ordinary activities before income tax	(1,840,661)	16,670	(1,847,208)	(266,261)

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
3 NOTES TO THE STATEMENTS OF CASH FLOWS				
(i) Reconciliation of net cash from/(used) in operating activities to profit/(loss) after income tax				
Operating profit / (loss) after tax	(1,541,924)	16,670	(1,548,471)	(266,261)
Depreciation	39,573	48,919	39,573	48,919
Increase / (decrease) in employee entitlements	4,656	78,721	4,656	78,721
Increase / (decrease) in creditors	78,802	470,116	(407,957)	470,116
(Increase) / decrease in debtors	804,442	(937,192)	980,666	(937,192)
(Increase) / decrease in prepayments	85,249	(106,226)	85,249	(106,226)
(Increase) / decrease in inventory	479,672	(464,386)	1,045,216	(464,386)
(Increase) / decrease in other assets	(166,750)	(343,000)	(750)	(43,000)
Increase / (decrease) in deferred revenue	(80,990)	27,062	(80,990)	27,062
Increase / (decrease) in unsecured loan	(23,693)	88,363	(23,693)	88,363
Increase / (decrease) in provision for unsecured loan	-	(112,057)	-	(112,057)
(Increase) / decrease in loan to controlled entities	-	-	(863,666)	(381,628)
Increase / (decrease) in provision for diminution in value of related company	-	-	-	(111,594)
Increase / (decrease) in provision for non recovery of controlled entity loan	-	-	331,677	364,559
Loss / (Profit) on sale of non current assets	-	556	-	556
Provision / (Writeback) for diminution in investments	-	(111,594)	-	-
Net cash from/(used) in operating activities	(320,963)	(1,344,048)	(438,490)	(1,344,048)

(ii) Non cash financing and investing activities

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

(iii) Credit Standby Arrangements

No credit standby arrangements existed either during the year or at the end of the financial year.

4 INCOME TAX EXPENSE

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

Operating loss before income tax	(1,840,661)	16,670	(1,847,208)	(266,261)
Prima facie income tax benefit on the operating loss at 30% (2003: 30%)	(552,198)	5,001	(554,162)	(79,878)
Less: Tax effect of permanent and timing differences	(14,424)	(61,106)	66,409	6,483
Future income tax benefit not brought to account	566,622	56,105	487,753	73,395
Income tax benefit derived from Research and Development tax offset	298,737	-	298,737	-
Income tax benefit charged to Statements of Financial Performance	298,737	-	298,737	-

It is intended that the company and its wholly owned Australian subsidiaries will form an income tax consolidated group upon lodgement of the group's 2004 income tax return. Accordingly, the benefits associated with income tax losses of the economic entity of approximately \$5,228,084, resulting from current and prior year operations, would be available, subject to the tax consolidation rules.

Potential future income tax benefits attributable to tax losses carried forward and timing differences as at 31 December 2004 have not been brought to account as an asset by the group companies.

The future income tax benefit, which has not been recognised as an asset, will only be obtained if:

- The group companies derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- The group companies continue to comply with the conditions for deductibility imposed by tax legislation;
- No changes in tax legislation adversely affect the group companies in realising the benefit.

	Economic Entity		Parent Entity	
	2004 \$	2003 \$	2004 \$	2003 \$
5 INVENTORIES				
Raw materials	561,275	701,470	561,275	701,470
Work In Progress	466,428	32,555	11,103	32,555
Finished Goods	110,219	883,569	-	883,569
	<u>1,137,922</u>	<u>1,617,594</u>	<u>572,378</u>	<u>1,617,594</u>
6 RECEIVABLES				
Current				
Trade debtors	468,255	1,272,697	292,031	1,272,697
Less: Provision for doubtful debts	(20,047)	(20,047)	(20,047)	(20,047)
	<u>448,208</u>	<u>1,252,650</u>	<u>271,984</u>	<u>1,252,650</u>
Other debtors and prepayments	72,336	157,585	72,336	157,585
Loans to controlled entities	-	-	1,245,544	381,878
Less : Provision for non-recovery	-	-	(696,236)	(364,559)
Unsecured Loan	-	23,693	-	23,693
	<u>520,544</u>	<u>1,433,928</u>	<u>893,628</u>	<u>1,451,247</u>
Non-Current				
Rental security deposit	43,750	43,000	43,750	43,000
7 OTHER FINANCIAL ASSETS				
Non-Current				
Shares in controlled entities - unquoted	-	-	6	6
8 PLANT & EQUIPMENT				
Office furniture and equipment - at cost	97,979	93,804	97,979	93,804
Less: Accumulated depreciation	(73,060)	(62,861)	(73,060)	(62,861)
	<u>24,919</u>	<u>30,943</u>	<u>24,919</u>	<u>30,943</u>
Motor vehicles - at cost	21,867	21,867	21,867	21,867
Less: Accumulated depreciation	(15,260)	(13,341)	(15,260)	(13,341)
	<u>6,607</u>	<u>8,526</u>	<u>6,607</u>	<u>8,526</u>
Computer and test equipment - at cost	277,157	261,018	277,157	261,018
Less: Accumulated depreciation	(219,217)	(191,761)	(219,217)	(191,761)
	<u>57,940</u>	<u>69,257</u>	<u>57,940</u>	<u>69,257</u>
Total plant and equipment	<u>89,466</u>	<u>108,726</u>	<u>89,466</u>	<u>108,726</u>
(a) Movements in Carrying Amounts				
Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.				
	Office Furniture & Equipment	Motor Vehicles	Computer & Test Equipment	Total
<i>Economic and Parent Entity</i>				
Balance at the beginning of the year	30,943	8,526	69,257	108,726
Additions	4,175	-	16,138	20,313
Disposals	-	-	-	-
Depreciation expense	(10,199)	(1,919)	(27,455)	(39,573)
Carrying amount at end of year	<u>24,919</u>	<u>6,607</u>	<u>57,940</u>	<u>89,466</u>

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
9 OTHER ASSETS				
Non-Current				
Technology costs capitalised (refer Note 1 (m))	466,000	300,000	-	-
10 PAYABLES				
Current				
Creditors and accruals	1,266,362	1,184,945	779,603	1,184,945
Unsecured Loans				
- Specified director related entities	80,000	220,000	80,000	220,000
- Other loans	1,476,600	813,000	1,476,600	813,000
	2,822,962	2,217,945	2,336,203	2,217,945
11 PROVISIONS				
Current				
Provision for employee benefits	158,329	153,673	158,329	153,673
12 DEFERRED REVENUE				
Current				
Deferred income	97,057	178,047	97,057	178,047

Transactions involving the deferral of revenue are referred to in Note 1 (g).

13 CONTRIBUTED EQUITY

Issued and paid up capital:

Ordinary fully paid shares	10,535,949	10,531,137	10,535,949	10,531,137
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Movements in issued and paid up ordinary share capital of the company during the past two years were as follows:

	Note	No. of Shares	Issue Price	\$
			(cents)	
01.01.02		155,598,484		10,042,749
19.03.03	(a)	1,000,000	2.00	20,000
25.09.03	(b)	22,222,222	2.25	500,000
31.12.03				(31,612)
23.11.04	(c)	75,000	2.00	1,500
23.11.04	(c)	37,500	3.50	1,312
24.12.04	(c)	100,000	2.00	2,000
Balance - 31 December, 2004		179,033,206		10,535,949

(a) Allotments under private placement arrangement.

(b) Allotment under prospectus dated 2 September, 2003

(c) Exercise of employee options under employee share plan

No amounts remain unpaid in respect of these shares.

(d) OPTIONS OVER ISSUED CAPITAL AT 31 DECEMBER 2004

(i) 3,472,000 options were issued in 2001 to key employees with an expiry date of 30 June 2006 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options are exercisable in various tranches at \$0.05 per share. During the 2004 financial year 894,000 of these options lapsed.

(ii) 10,000,000 options issued in 2002 in four tranches to managing director, Mr Ian May, with exercise prices at \$0.05 and \$0.08, expiring between 31 December 2006 and 31 December 2009.

(iii) 2,200,000 options were issued in 2003 to key employees with an expiry date of 30 June 2008 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options are exercisable in various tranches at \$0.02 per share. During the 2004 financial year 1,075,000 of these options lapsed.

(iv) 1,712,500 options issued in 2004 to key employees with an expiry date of 1 July 2007 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options are exercisable in various tranches at \$0.035 per share.

(v) 4,000,000 options issued in 2004 to key employees with an expiry date of 31 December 2006 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options are exercisable in various tranches at \$0.05 per share.

(vi) 1,250,000 options issued in 2004 to key employees with an expiry date of 31 December 2006 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options are exercisable in various tranches at \$0.02 per share.

(vii) 2,000,000 options issued in 2004 - 1,000,000 options to chairman, Mr Colin Adam, and 1,000,000 options to deputy chairman, Mr Andrew Martin. These options are exercisable from 31 December 2004 at \$0.06 per share, expiring 31 December 2009.

(viii) 2,000,000 options issued in 2004 - 1,000,000 options to chairman, Mr Colin Adam, and 1,000,000 options to deputy chairman, Mr Andrew Martin. These options are exercisable from 31 December 2005 at \$0.10 per share, expiring 31 December 2010.

(ix) 10,000,000 options issued as part of consideration for the telecommunications assets purchased during the 1999 year at an exercise price of \$0.40 per share lapsed upon expiry date of 30 June 2004.

(x) 1,500,000 options issued to Non Executive Directors in 1999 at an exercise price of \$0.40 per share lapsed upon expiry date of 30 June 2004.

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
14 ACCUMULATED LOSSES				
Accumulated losses at the beginning of the financial year	9,337,998	9,354,668	9,620,929	9,354,668
Current year loss (profit)	1,541,924	(16,670)	1,548,471	266,261
Accumulated losses at the end of the financial year	<u>10,879,922</u>	<u>9,337,998</u>	<u>11,169,400</u>	<u>9,620,929</u>

15 FINANCIAL INSTRUMENTS

Interest rate risk exposure

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

2004	Floating Interest	Fixed Interest maturing 1 yr	Non-Interest bearing	TOTAL
<i>Financial asset</i>				
Cash assets	476,187	-	506	476,693
Receivables	-	-	520,544	520,544
TOTAL	476,187	-	521,050	997,237
Weighted average interest rate	3.32%	Nil	Nil	
<i>Financial liability</i>				
Payables	-	-	784,004	784,004
TOTAL	-	-	784,004	784,004
Weighted average interest rate	Nil	Nil	Nil	
2003				
<i>Financial asset</i>				
Cash Assets	239,056	-	500	239,556
Receivables	-	-	1,410,235	1,410,235
TOTAL	239,056	-	1,410,735	1,649,791
Weighted average interest rate	2.70%	Nil	Nil	
<i>Financial liability</i>				
Payables	-	-	2,217,945	2,217,945
TOTAL	-	-	2,217,945	2,217,945
Weighted average interest rate	Nil	Nil	Nil	

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$

16 COMMITMENTS AND CONTINGENT LIABILITIES

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

Expenditure commitments - Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:-

Not later than one year	88,044	99,117	88,044	99,117
Later than one year but not later than 2 years	86,944	83,600	86,944	83,600
Later than two years but not later than 5 years	115,925	195,066	115,925	195,066
	<u>290,913</u>	<u>377,783</u>	<u>290,913</u>	<u>377,783</u>

Superannuation commitments

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

Executive Agreements

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

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

17 DIRECTORS' & EXECUTIVES' REMUNERATION

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

Parent Entity Directors

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

Specified Executives and Top five most highly remunerated officers

Mr M Capocchi	Vice President - Global Sales and Distribution
Mr M Risos	Senior Network Consultant
Mr M Willis	Sales Executive
Mr C Harrison	Sales Manager
Mr D Cooke	Manager - Marketing and Business Solutions

(b) Parent Entity Directors' Remuneration

2004	Primary					Post Employment			
	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits Options	Motor Vehicle Allowance	Superannuation	Equity	Other	Total
Dr C M Adam	(i) 25,000	-	-	13,409	-	-	-	-	38,409
Mr A L Martin	120,000	10,800	-	13,409	-	-	-	-	144,209
Mr I D May	190,000	17,100	-	-	40,000	-	-	-	247,100
Dr M M Venning	(i) 15,000	-	-	-	-	-	-	-	15,000
Mr C J Eade	(i) 15,000	-	-	-	-	-	-	-	15,000
Mr A P Bigum	(i) 15,000	-	-	-	-	-	-	-	15,000
	380,000	27,900	-	26,818	40,000	-	-	-	474,718

2003	Primary					Post Employment			
	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits Options	Motor Vehicle Allowance	Superannuation	Equity	Other	Total
Dr C M Adam	-	-	-	-	-	-	-	-	-
Mr A L Martin	133,500	10,800	-	-	-	-	-	-	144,300
Mr I D May	199,321	17,939	-	25,900	40,000	-	-	-	283,160
Dr M M Venning	(i) 15,000	-	-	-	-	-	-	-	15,000
Mr C J Eade	(i) 15,000	-	-	-	-	-	-	-	15,000
Mr A P Bigum	(i) 8,750	-	-	-	-	-	-	-	8,750
	371,571	28,739	-	25,900	40,000	-	-	-	466,210

(i) At 31 December 2003 and 2004 Directors fees are accrued and unpaid.

(c) Specified Executives' Remuneration

2004	Primary					Post Employment			
	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits Options	Motor Vehicle Allowance	Superannuation	Equity	Other	Total
Mr M Capocchi	232,500	10,260	-	5,926	-	-	-	-	245,316
Mr M Risos	120,000	9,270	-	1,944	12,000	-	-	-	143,214
Mr M Willis	98,345	4,992	-	219	11,250	-	-	-	114,806
Mr C Harrison	105,000	9,450	-	4,803	-	-	-	-	117,006
Mr D Cooke	100,651	7,517	-	3,091	-	-	-	-	111,259
	656,496	41,489	-	15,983	23,250	-	-	-	731,601

17 DIRECTORS' & EXECUTIVES' REMUNERATION (cont)

(c) Specified Executives' Remuneration (cont)

2003	Primary					Post Employment			
	Salary, Fees & Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits Options	Motor Vehicle Allowance	Superannuation	Equity	Other	Total
Mr M Capocchi	65,000	3,420	-	-	-	-	-	-	68,420
Mr M Risos	112,708	9,270	-	1,149	12,000	-	-	-	135,127
Mr M Willis	65,000	5,850	-	79	15,000	-	-	-	85,929
Mr C Harrison	27,046	2,434	-	-	-	-	-	-	29,480
Mr D Cooke	107,679	9,668	-	2,050	-	-	-	-	119,397
	377,433	30,642	-	3,278	27,000	-	-	-	438,353

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

(d) Remuneration Options

Options Granted as Remuneration during the year

	Vested No.	Granted No.	Grant Date	Terms & Conditions for Each Grant			
				Value per Option at Grant Date	Exercise Price	First Exercise Date	Last Exercise Date
Parent Entity Directors							
Dr C M Adam	1,000,000	1,000,000	08.09.04	0.011	0.060	31.12.04	31.12.09
Dr C M Adam	-	1,000,000	08.09.04	0.009	0.100	31.12.05	31.12.10
Mr A L Martin	1,000,000	1,000,000	08.09.04	0.011	0.060	31.12.04	31.12.09
Mr A L Martin	-	1,000,000	08.09.04	0.009	0.100	31.12.05	31.12.10
Specified Executives							
Mr M Capocchi	666,666	2,000,000	19.08.04	0.008	0.050	31.12.04	31.12.06
Mr M Capocchi	250,000	750,000	17.05.04	0.019	0.020	01.07.04	31.12.06
Mr M Risos	62,500	250,000	01.07.04	0.012	0.035	01.07.04	01.07.07
Mr M Willis	12,500	50,000	01.07.04	0.012	0.035	01.07.04	01.07.07
Mr C Harrison	666,666	2,000,000	19.08.04	0.008	0.050	31.12.04	31.12.06
Mr C Harrison	166,667	500,000	17.05.04	0.019	0.020	01.07.04	31.12.06
Mr D Cooke	100,000	400,000	01.07.04	0.012	0.035	01.07.04	01.07.07
	3,924,999	9,950,000					

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

(e) Shares Issued on Exercise of Remuneration Options

Options Granted as Remuneration

	No. of Ordinary Shares Issued	Amount Paid per Share \$	Amount Unpaid per Share \$
Specified Executives			
Mr D Cooke	100,000	\$0.020	\$0.000

(f) Options and Rights Holdings

Number of Options held by Specified Directors and Executives

	Balance 1.1.04	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 31.12.04	Total Vested 31.12.04	Total Exercisable 31.12.04	Total Unexercisable 31.12.04
Parent Entity Directors								
Dr C M Adam	-	2,000,000	-	-	2,000,000	1,000,000	1,000,000	-
Mr A L Martin	6,666,667	2,000,000	-	(6,666,667)	2,000,000	1,000,000	1,000,000	-
Mr I D May	10,000,000	-	-	-	10,000,000	10,000,000	10,000,000	-
Dr M M Venning	500,000	-	-	(500,000)	-	-	-	-
Mr C J Eade	-	-	-	-	-	-	-	-
Mr A P Bigum	-	-	-	-	-	-	-	-

(f) Options and Rights Holdings (cont)

Number of Options held by Specified Directors and Executives

	Balance 1.1.04	Granted as Remuneration	Options Exercised	Options Lapsed	Balance 31.12.04	Total Vested 31.12.04	Total Exer- cisable 31.12.04	Total Unexer- cisable 31.12.04
Specified Executives								
Mr M Capocchi	-	2,750,000	-	-	2,750,000	916,666	916,666	-
Mr M Risos	400,000	250,000	-	-	650,000	312,500	312,500	-
Mr M Willis	50,000	50,000	-	-	100,000	37,500	37,500	-
Mr C Harrison	-	2,500,000	-	-	2,500,000	833,333	833,333	-
Mr D Cooke	692,000	400,000	(100,000)	-	992,000	536,729	536,729	-
Total	18,308,667	9,950,000	(100,000)	(7,166,667)	20,992,000	14,636,728	14,636,728	-

(g) Shareholdings

Number of Shares held by Parent Entity Directors and Executives

	Balance 1.1.04	Received as Remuneration	Options Exercised	Net Change Other*	Balance 31.12.04
Parent Entity Directors					
Dr C M Adam	-	-	-	-	-
Mr A L Martin	30,370,265	-	-	-	30,370,265
Mr I D May	100,000	-	-	-	100,000
Dr M M Venning	2,591,000	-	-	-	2,591,000
Mr C J Eade	1,754,552	-	-	-	1,754,552
Mr A P Bigum	3,426,000	-	-	250,000	3,676,000
Specified Executives					
Mr M Capocchi	551,000	-	-	-	-
Mr M Risos	81,103	-	-	-	81,103
Mr M Willis	-	-	-	-	-
Mr C Harrison	-	-	-	-	-
Mr D Cooke	-	-	100,000	-	100,000
	38,873,920	-	100,000	250,000	38,672,920

*Net change other refers to shares purchased or sold during the financial year

(h) Remuneration Practices

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

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

The group seeks to emphasise payment for results through providing various reward schemes, specifically, the incorporation of incentive payments based on the achievement of sales targets.

The objective of the reward schemes is to both reinforce the short and long-term goals of the company and to provide a common interest between management and shareholders.

18 SEGMENT REPORTING

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

	2004			2003		
	Revenue	Segment Result	Segment Assets	Revenue	Segment Result	Segment Assets
Telecommunications:- Australia	6,907,592	(1,541,924)	2,734,375	4,573,271	16,670	3,742,804

19 RELATED PARTY TRANSACTIONS

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Transactions with companies or firms in which directors of the company have an interest are conducted by the Parent Entity at commercial rates.				
Loans by Biotech International Pty Ltd a company related to Mr A P Bigum, a director of the parent company (Note 10)	80,000	220,000	80,000	220,000
Interest paid or payable in respect of the above related party loan included as an expense (Note 2)	30,733	-	30,733	-
Facility Fee paid or payable in respect of the above related party loan included as an expense (Note 2)	13,791	6,209	13,791	6,209

There were no other related party transactions during the reporting period ending 31 December, 2004.

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

20 CONTROLLED ENTITIES

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

Contributions to profit/(loss)

During the year, members of the economic entity contributed to operating profit/(loss) before tax as follows:

	2004	2003
	\$	\$
Tele-IP Limited	(1,548,471)	(266,261)
Pacarc (PNG) Limited	-	111,594
StratoSonde Pty Ltd	(331,677)	(364,559)
Beam Communications Pty Ltd	6,547	282,931
Adjustments/eliminations	331,677	252,965
	(1,541,924)	16,670

Business interests outside Australia

Pacarc (PNG) Limited	Papua New Guinea
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21 EARNINGS PER SHARE

	2004	2003
	cents	cents
Basic earnings per share	(0.86)	0.01
Diluted earnings per share	(0.86)	0.01
Weighted average number of shares used in the calculation of Basic Earnings Per Share	178,834,336	162,354,039

Dilutive Earnings Per Share:

All Potential Ordinary shares disclosed in Note 13 are dilutive.

Earnings used in this Earnings Per Share calculation are after tax.

22 REMUNERATION OF AUDITORS

	Economic Entity		Parent Entity	
	2004	2003	2004	2003
	\$	\$	\$	\$
Remuneration of the Auditor of the Economic and Parent Entities for:				
- auditing or reviewing the financial report	23,288	19,045	23,288	19,045
- registry services	7,847	13,680	7,847	13,680
	31,135	32,725	31,135	32,725
Remuneration of other member firm of the Pitcher Partners association				
- due diligence inquiries	29,696	-	29,696	-
	60,831	32,725	60,831	32,725

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes as set out in pages 17 to 29 are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2004 and of the performance for the year ended on that date of the company and economic entity;
2. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors 31st March, 2005.



Colin Adam
Chairman



PITCHER PARTNERS

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TELE-IP LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial performance, statements of financial positions, statements of cash flows, accompanying notes to the financial statements, and the Directors' declaration for both Tele-IP Limited (the company) and Tele-IP group (the consolidated entity) for the year ended 31 December 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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

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

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

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

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF TELE-IP LIMITED
(continued)**

Audit approach (continued)

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.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

PITCHER PARTNERS



R C Brown
Partner

Brisbane, 31 March 2005

Australian Stock Exchange Information

As at 21 March 2005

	Number	% of Class
Killarney Properties Pty Ltd	35,446,658	19.80%
Electro Magnetic Measurements Pty Ltd	30,370,265	16.96%
Stoyle Holdings Pty Ltd	5,697,743	3.18%
Valutech Pty Ltd	2,547,031	1.42%
Biotec International Pty Ltd	2,126,000	1.19%
Dr Keith Derrick Day & Mr Nicholas John Day	1,955,750	1.09%
National Nominees Limited	1,725,474	0.96%
Biotec International Pty Ltd	1,550,000	0.87%
Mr Min Chuan Wu	1,444,779	0.81%
Cts Funds Pty Ltd	1,365,000	0.76%
Christopher John Eade	1,335,866	0.75%
Middendorp Electric Co Pty Ltd	1,310,877	0.73%
Dakeith Pty Ltd	1,100,000	0.61%
Mrs Elizabeth Mary Meehan	1,000,000	0.56%
Dmw Pty Ltd	1,000,000	0.56%
Kevin Michael Meehan & Elizabeth Mary Meehan	1,000,000	0.56%
Victron Pty Ltd	911,111	0.51%
Mr Ronald John Lomax	900,000	0.50%
Mr Bruce George Hotton & Mrs Julie Caroline Hotton	846,000	0.47%
Bell-Allen Holdings Pty Ltd	840,000	0.47%
Top twenty total:	94,472,554	52.77%
Total issued:	179,033,206	

UNQUOTED OPTIONS

The following directors of the company hold the following options:

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

in total representing 64.5% of the total number of 21,706,000 options on issue to 11 holders.

VOTING RIGHTS

There are 179,033,207 ordinary fully paid shares held by 2,337 members and these are the only class of share currently issued. The Company's Constitution provides that every member present in person, by proxy by corporate representative or by appointed attorney shall on the show of hands have one vote. In a poll, the vote is determined pro-rata to the amount paid up, if shares are paid up to different amounts.

HOLDERS OF LESS THAN A MARKETABLE PARCEL OF QUOTED ORDINARY SHARES

Number of Holders	% of Total Holders	Number of Shares	% of Total Quoted Shares
1,557	66.62%	7,092,277	3.96%

Substantial Shareholders

	Number	% of Class
Killarney Properties Pty Ltd	35,446,658	19.80%
Electro Magnetic Measurements Pty Ltd	30,370,265	16.96%
Stoyle Holdings Pty Ltd	5,697,743	3.18%
Valutech Pty Ltd	2,547,031	1.42%

Directors' Interests

	Shares	Options
Dr C M Adam	-	2,000,000
Mr A L Martin	30,370,265	2,000,000
Mr I D May	100,000	10,000,000
Dr M M Venning	2,591,000	-
Mr C J Eade	1,754,552	-
Mr A P Bigum	3,426,000	-

Distribution of Shares

Size of Holdings	Number of Holders	Number of Shares	%
1 - 1,000	378	201,594	.11
1,001 - 5,000	666	1,900,504	1.06
5,001 - 10,000	378	3,164,601	1.77
10,001 - 100,000	703	28,107,830	15.70
100,001 and Over	212	145,658,678	81.36
Total	2,337	179,033,207	100.00