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## BigAir Group Limited

### ***Announces maiden EBITDA profit of \$704,449 and seventy per cent 'organic' growth in 'on-net' revenues for the financial year ending 30 June 2008***

**SYDNEY, Australia – August 27<sup>th</sup>, 2008** – BigAir Group Limited (ASX:BGL) announced today its maiden full year EBITDA profit of \$704,449 for the year ended 30 June 2008, an improvement of 172% on the previous corresponding full year period (PCP). The EBITDA margin reached 9% of revenue through a combination of 69% organic growth in "on-net" revenues from ongoing customer acquisition across its recently expanded fixed WiMAX wireless networks in Sydney, Melbourne and Brisbane and through a reduction in operating expenses. Revenues in services which utilise other carrier's networks ("off-net") declined during the period reflecting the company's increased focus on its own wireless broadband infrastructure and reduced focus on reselling other networks. This led to a significant improvement in Gross Margin from 35% to 45% year-on-year. The realignment of sales efforts also helped deliver a 23% reduction in cost of sales and a 28% reduction in operating expenses compared to the PCP.

The Company also achieved cash flow breakeven in its operations during the period and for the most recent two quarters of the financial year it achieved positive net cashflows after allowing for investments in capital expenditure.

		Movement	Movement	Year ending	Year ending
		%	\$	30-Jun-08	30-Jun-07
				\$	\$
<b>Fixed "On-net" Revenue</b>	▲	<b>69%</b>	<b>1,492,789</b>	<b>3,666,764</b>	<b>2,173,975</b>
Mobile "Off-net Revenue	▼	-34%	(2,333,853)	4,595,668	6,929,521
Total Revenue	▼	-9%	(841,064)	8,262,432	9,103,496
<b>Gross Profit</b>	▲	<b>16%</b>	<b>524,899</b>	<b>3,732,107</b>	<b>3,207,208</b>
Gross Profit Margin (% Rev)		28%	10%	45%	35%
Operating Expenses	▼	-28%	(1,163,352)	3,027,658	4,191,010
<b>EBITDA</b>	▲	<b>172%</b>	<b>1,688,251</b>	<b>704,449</b>	<b>(983,802)</b>
EBITDA (as % Revenue)	▲	<b>179%</b>	19%	9%	-11%
<b>NPAT (before Impairment)</b>	▲	<b>101%</b>	<b>1,632,076</b>	<b>18,929</b>	<b>(1,613,147)</b>
Net Tangible Assets per Share (cents)	▲	9%	0.4	4.7	4.3

Consistent with the company's strategy to increase the share of "on-net" revenues the gross profit contribution from "on-net" revenues increased by 89% to \$2.9 million. In addition the "on-net" Gross Profit Margin as a percentage of revenues increased to 77% from 47% in the previous corresponding period. The company's strong organic growth of its "on-net" business is a result of the company's leading position in the business wireless broadband market and also its highly successful expansion in to the Melbourne and Brisbane business markets.

### Reduction in Operating Expenses of 28% versus PCP

During the past year the company has undertaken a significant realignment of its sales and marketing activities in order to focus on selling its own high margin, business-grade fixed broadband services. These services contribute much higher average revenue per business customer (approx \$900 per customer per month) versus its mobile wireless customers (approx \$53 per customer per month) and they utilise BigAir's own fixed WiMAX wireless networks covering the major metropolitan areas of Sydney, Melbourne and Brisbane.

This realignment of sales efforts and other cost saving measures helped deliver a 49% reduction in sales and marketing expenses along with a 5% reduction in employee expenses and 37% reduction in General Administration expenses compared to the PCP, resulting in an overall 28% reduction in operating expenses.

Operating Expenses Comparison	Movement	Movement	Year	Year	
			ending	ending	
	%	\$	30-Jun-08	30-Jun-07	
			\$	\$	
Employee benefits expense	▼	-5%	(73,330)	1,447,078	1,520,408
Sales and marketing expense	▼	-49%	(587,245)	603,309	1,190,554
General administration expense	▼	-37%	(490,717)	852,334	1,343,051
Occupancy costs	▼	-9%	(12,060)	124,937	136,997
<b>Total Operating Expenses</b>	▼	<b>-28%</b>	<b>(1,163,352)</b>	<b>3,027,658</b>	<b>4,191,010</b>

### Division Results – Continuing focus on Fixed Wireless "on-net" Revenues

For the first time in the Company's history, the gross profit margin contribution from the "on-net" business unit was greater than the "off-net" and it contributed 77% for the full year. As a result of this growth the overall gross profit margin for the year increased to 45% from 35% in the PCP. There were no new acquisitions of either companies or customer bases during the financial year – the growth was entirely organic.

The Fixed Wireless division revenues increased by 69% to approx \$3.7 million in the year ending 30 June 2008 and its gross profit contribution increased by 89%. Due to strong customer growth and its network ownership which provides a fixed cost structure the margins generated in this division continue to increase reaching 78% versus 70% in the PCP. Most of the network costs of service for fixed wireless broadband services are fixed and as this product line continues to expand we expect the cost of sales to grow at lower levels, thus continuing to drive margin growth.

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Fixed Wireless ("On-net") Division	Movement	Movement	Year	Year	
			ending	ending	
	%	\$	30-Jun-08	30-Jun-07	
			\$	\$	
Fixed Wireless Revenue ("On-net")	▲	69%	1,492,789	3,666,764	2,173,975
Fixed Wireless Gross Profit \$ ("On-net")	▲	89%	1,349,752	2,865,412	1,515,660
Fixed Wireless Gross Profit % ("On-net")	▲	12%	8%	78%	70%

As previously announced, the Company commenced the upgrade of its Sydney network to fixed WiMAX technology (802.16d) in July 2007 and has also built Australia's first WiMAX metropolitan networks in Melbourne and Brisbane during the financial year. BigAir's 802.16d WiMAX technology has the ability to establish high speed wireless connections over distances up to 30km avoiding the need to deploy costly fibre or cable to reach under-serviced suburban areas.

The total network footprint is now close to 10,000 square kilometre's and the WiMAX rollout has contributed to increases in both revenue and margins for the company and was a major contributing factor in the dramatic turnaround of EBITDA and cashflows.

### Financial Performance

The improvements in Gross Profit and reduction in Operating Expenses previously mentioned resulted in a \$1.7 million improvement in EBITDA, which was positive \$704,430 for the financial year and 9% of Revenue. Below the EBITDA line amortisation and depreciation expenses were reduced by 25% versus the PCP. These results combined to deliver a maiden Net Profit after Tax (before Impairment) of \$18,929 for the financial year ending 30 June 2008, an 101% improvement versus the PCP.

Consistent with the increasing focus on fixed wireless business and declining opportunities in the mobile wireless business the Board has reviewed the carrying value of the goodwill in relation to its Veritel subsidiary which contains the mobile business and made a goodwill impairment of \$2,256,645 and a customer base impairment of \$115,827.

	Movement	Movement	Year	Year	
			ending	ending	
	%	\$	30-Jun-08	30-Jun-07	
			\$	\$	
<b>EBITDA</b>	▲	172%	1,688,251	704,449	(983,802)
less Depreciation	▼	-14%	89,182	(527,376)	(616,558)
less Amortisation	▼	-34%	246,000	(480,476)	(726,476)
Other Revenue	▼	-56%	(120,407)	94,680	215,087
Income Tax Benefit	▼	-55%	(278,353)	227,652	506,005
less Finance Costs	▼	-100%	7,403		(7,403)
<b>NPAT (before Impairment)</b>	▲	101%	1,632,076	18,929	(1,613,147)

With continuing strong organic growth in its fixed wireless business, increased network footprint, and a stronger balance sheet with no debt, the Group expects to improve its earnings further in the new financial year.

## **Business Outlook and Guidance**

The company is well positioned as the leading provider of carrier grade high speed wireless broadband services to the business market and via its channel partnerships with leading communications resellers and ISPs. The Company has invested in its own fixed WiMAX networks covering the Sydney, Melbourne and Brisbane metropolitan markets. These networks are uniquely designed with their own completely independent wireless backhaul network which provides greater reliability and better margins versus its competitors. The Company estimates that its existing networks can support at least a tenfold increase in customers and revenues. The management team and staff are focused on acquiring new business customers and channel partners which will continue to grow the earnings and cash flow.

After turning EBITDA positive in the first half of the financial year ended 30 June 2008, the Company achieved another milestone achieving positive NPAT for the second half of the financial year. In the most recent month of July 2008 the unaudited NPAT was approximately \$50,000. The Company expects EBITDA to grow by more than 50% this financial year.

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## **About BigAir Group Limited**

BigAir owns and operates Australia's largest metropolitan fixed WiMAX\* broadband network.

The Australian business market comprises nearly one million businesses and BigAir's network provides blanket coverage across its three largest cities Sydney, Melbourne, and Brisbane. BigAir sells broadband and data services directly to business customers and also partners with other IT service companies who have existing relationships with business customers in order to deliver BigAir's high speed, cost effective WiMAX\* broadband solutions.

BigAir's competitive advantage includes its state-of-the-art WiMAX\* network which allows it to install business-grade symmetric broadband services at speeds up to 100Mbps with installation taking just a few hours. Most of BigAir's competitor's rely on access to Telstra's copper network which can take weeks to install a service and does not deliver fast symmetric speeds. Competing legacy wireless networks such as the 3G mobile phone networks are also not nearly fast enough to meet the demands of business Internet users in an office environment.

As the first Australian company to deliver fixed WiMAX\* services in the major metropolitan markets BigAir has extensive expertise in the design and deployment of wireless broadband systems and is widely regarded as a leader in the wireless broadband sector. The company also offers email and web hosting as well as data centre co-location services. For more information, please visit [www.bigair.com.au](http://www.bigair.com.au).

\* WiMAX™, and WiMAX Forum™ are trademarks of the WiMAX Forum

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# Preliminary Final Report of BigAir Group Limited for the Financial Year Ended 30 June 2008

(ABN 57 098 572 626)

*This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.*

Current Reporting Period: Financial Year ending 30 June 2008

Previous Corresponding Period: Financial Year ending 30 June 2007

**Source Reference:** ASX Appendix 4E.1, ASX Listing Rules 4.3C.1

# BigAir Group Limited

## Results for announcement to the market

**Name of entity:** BigAir Group Limited

### 1. Details of the reporting period

Current Period: 1 July 2007 – 30 June 2008

Previous Corresponding Period: 1 July 2006 – 30 June 2007

### 2. Results for announcement to the market

			Percentage Change %	Amount \$
2.1	Revenue	Down	9	to 8,262,432
2.2	Net loss attributable to members	Up	21	to (2,353,564)

		Amount per security	Franked amount per security
2.3	Dividends (Distributions)		
	Interim dividend	Nil	Nil
	Final dividend	Nil	Nil
2.4	Record date for determining entitlements to the dividend:		
	• Interim dividend	N/a	
	• Final dividend	N/a	

#### **Brief explanation of Revenue, Net Profit and Dividends (Distributions):**

The revenues for the period have decreased during the current year due to a decrease in the revenue from the mobile wireless division. See also the Review of Operations in the attached Directors' Report.

### 3. Statement of financial performance with notes

Refer attached financial statements.

### 4. Statement of financial position with notes

Refer attached financial statements

# BigAir Group Limited

## Results for announcement to the market

### 5. **Statement of cash flows with notes**

Refer attached financial statements

### 6. **Details of dividends / distributions**

No dividends have been paid during the period and the directors do not recommend that a dividend be paid.

### 7. **Details of dividends / distribution reinvestment plan**

The company does not have a dividend reinvestment plan.

### 8. **Statement of retained earnings showing movements**

Refer attached financial statements.

### 9. **Net tangible assets per security**

	Current Period	Previous corresponding period
Net asset backing per share	4.9 cents	7.6 cents
Net tangible asset backing per share (i)	4.7 cents	4.3 cents
(i) Excludes goodwill on acquisition and other intangible assets		

### 10. **Control gained or lost over entities during the period**

There were no changes in the structure of the Group during the period.

### 11. **Details of associated and joint**

The Group does not have any interests in associates or joint ventures.

### 12. **Other significant information**

Refer attached financial statements (Directors notes).

### 13. **Accounting standards used by foreign entities**

Not applicable.

### 14. **Commentary on results**

	Current Period	Previous corresponding period
14.1 Earnings per share	(2.7) cents	(2.3) cents
14.2 Return to shareholders - dividends	Nil	Nil

Results for announcement to the market

14.3 **Significant features of operating performance**

Refer the attached financial statements (Directors' report)

14.4 **Segment results**

The principal activity of the company during the year was the provision of wireless broadband services to business. Refer the attached financial statements.

14.5 **Trends in performance**

The company continues to grow its "on-net" sales and its customers as a result of its expansion of its network and the increase in the range of products demanded by business.

14.6 **Other factors**

Other factors which have affected the results in the period or which may affect the results in the future.

*Assets*

- The company has cash reserves of \$1.7 million.

*Equity*

- The company has an equity base exceeding \$4.0 million.

*Cash flow from operating activities*

- Cash receipts from the customers declined to \$9,558,022 for the year (2007: \$9,583,913)

*Cash flow from investing activities*

- Net cash outflows from investing activities were \$1,185,722 (2007: \$1,329,818). Of this \$1,009,653 (2007: \$1,030,453) relates to the purchase of equipment relating to customer growth and expansion of the network.

*Cash flow from financing activities*

- There were no cash flows from financing activities in the current year.

**15. Audit / review of accounts upon which the report is based**

This report is based on accounts which have been audited (refer attached financial statements).

**16. Accounts not yet audited or reviewed**

Not applicable (see above).

**17. Qualification of audit / review**

There was no qualification

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## **BigAir Group Limited**

ABN 57 098 572 626

Annual report  
for the financial year ended 30 June 2008

**Annual report  
for the financial year ended 30 June 2008**

**Contents**

	<b>Page</b>
Corporate governance statement	1
Directors' report	8
Auditor's independence declaration	19
Independent auditor's report	20
Directors' declaration	22
Income statement	23
Balance sheet	24
Statement of changes in equity	25
Statement of cash flows	27
Notes to the financial statements	28
Additional stock exchange information	68

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## Corporate governance statement

The Board is committed to sound corporate governance to ensure stakeholder expectations are met and that the Company is in compliance with the Australian Stock Exchange (ASX) Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (*ASX Recommendations*). The ASX Recommendations provide a corporate governance framework for ASX listed companies.

As required by the ASX Listing Rules this statement sets out the extent to which the Company has complied with the ASX Recommendations during the financial year to 30 June 2008 and identifies any of the ASX Recommendations not followed and the reason why the Company has not adopted the ASX Recommendations. This statement adopts the ordering and numbering of the ASX Recommendations.

### Principle 1: Lay solid foundation for management and oversight

The Board has adopted a charter that details the roles and responsibilities of the Board and its members and their relationship with management to achieve the objectives of delivering shareholder value. The Board's Charter, Continuous Disclosure Plan and Code of Conduct and Ethics are available for access by shareholders and the general public. (ASX Recommendation 1.1).

Collectively, the Board is responsible and accountable to the shareholders for the overall performance of the business and for determining the strategic direction of the Company. The Board has delegated specific authority to the various Committees of the Board and the Chief Executive Officer.

### Principle 2: Structure the board to add value

The Board considers that there should be an appropriate mix of skills, personal attributes and experience to enable the Board and individual directors to discharge their duties and responsibilities in the interest of and to maximize shareholder value.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are set out in the Director's Report which immediately follows on from this Corporate Governance Statement. (*ASX Recommendation 2.5*)

The membership of the Board during the year ended 30 June 2008, including independence status and date of appointment and resignation (if applicable) was as follows:

Director	Status	Date of Appointment	Date of Resignation
Danny Herceg	Non-Executive Independent Chairman	27 July 2007	18 July 2008
Jason Ashton	Executive Director, Chief Executive Officer and Interim Chairman	7 June 2002	-
Patrick Choi	Executive Director and Chief Financial Officer	27 July 2008	-
Nigel Jeffries	Non-Executive Director	9 May 2006	-
Vivian Stewart	Non-Executive Director	11 June 2008	-
Ray Catelan	Non-Executive Director	27 July 2007	11 January 2008
Ross McColl	Independent Director	11 January 2008	30 June 2008
Anthony Tobin	Non-Executive Independent Chairman	20 October 2005	27 July 2007
Shane Allan	Independent Director	20 October 2005	27 July 2007
Anne Lenagan	Independent Director	20 October 2005	27 July 2007

## Corporate governance statement (cont'd)

The Company has in place a number of practices relating to the division of responsibilities including the Chairman having been an independent director. (ASX Recommendations 2.2 and 2.3) These policies are available for general viewing on the Company's website.

On 27<sup>th</sup> July 2007 Messrs Tobin & Allan and Ms Lenagan resigned as Directors and Messrs Choi, Catelan and Herceg were subsequently appointed to the Board. On 11 January 2008 Mr Catelan resigned as a Director and Mr McColl was appointed to the Board. On 11 June 2008 Mr Stewart was appointed to the board and on 30 June Mr McColl resigned. Further details, including skills and experience, in respect of these three new directors are set out in the Director's Report which follows this Corporate Governance Statement. The Board had an informal policy of ensuring the Board has a majority of independent directors. During the year, changes and resignations have lead the Board to review its composition, and are moving towards a smaller Board with at least half of the directors being independent.

### **Independent Directors** (ASX Recommendation 2.1)

It is important to recognise the need for independent directors to provide oversight to ensure that the Board and senior management are accountable to shareholders for the performance of the Company. The independence of the Directors' is assessed annually against the following criteria:

- is not a substantial shareholder or representative of a substantial shareholder, with a substantial shareholder being one with five percent or more of the Company's voting securities;
- has not, within the last three years, been employed in an executive capacity by the Company or other Group member or being a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Company or another Group member or an employee materially associated with the service provider;
- is not a material supplier or customer of the Company or another Group member or otherwise associated with a material supplier or customer;
- has no material contractual relationship with the Company or any associated Group member other than as a director of the Company;
- has not served on the Board for a period in excess of the Company's agreed tenure rules; and
- has no interest or relationship that could, or could reasonable be perceived to, materially interfere with the Directors ability to act in the best interest of the Company.

During the financial year four Directors were, based on the above criteria, considered independent. None of the current Directors are independent based on these criteria. The Board is currently in the process of reviewing candidates to appoint a new Chairman.

### **The Board Committees**

Two Board Committees have been established to assist in the discharge of the Board's responsibilities, the Audit Committee and a Nomination and Remuneration Committee. It has been the Boards policy that these Committees be chaired by an Independent Director. This is not the case as at the date of this report, but will be the case once a new Chairman is appointed. (ASX Recommendation 2.4 and 4.3). The Board may, at its discretion, establish other special purpose committees. The membership of these two committees during the year ended 30 June 2008 is outlined below.

**Corporate governance statement**

<b>Committee Membership</b>	<b>Audit Committee</b>	<b>Nominations &amp; Remuneration Committee</b>	<b>Date of Appointment</b>	<b>Date of Resignation</b>
Anthony Tobin	Member	Chairman	20 October 2005	27 July 2007
Jason Ashton	In attendance	-	7 June 2002	-
Shane Allan	Chairman	-	20 October 2005	27 July 2007
Anne Lenagan	Member	Member	20 October 2005	27 July 2007
Nigel Jeffries	Member	Member	9 May 2006	-
Patrick Choi	In attendance	-	27 July 2008	-
Ray Catelan	Member	Member	27 July 2007	11 January 2008
Danny Herceg	Chairman	Chairman	27 July 2007	18 July 2008
Ross McColl	Member	Member	11 January 2008	30 June 2008
Vivian Stewart	Member	Member	11 June 2008	-

**Audit Committee**

The main objective of the Audit Committee is to oversee the quality and integrity of the accounting, auditing, financial reporting and compliance practices of the Company including:

- oversee the compliance of the financial statements with legislative and other mandatory reporting requirements;
- making informed decisions in relation to accounting and regulatory policies, practices and disclosure requirements and reviewing the scope and results of the external audits;
- provide a direct line of communication between directors and the external auditors;
- monitor the effectiveness of internal control systems; and
- review the Group's commercial practices and policies.

In addition to the non-executive director members, Audit Committee meetings are attended by members of management and external auditors as appropriate.

**Nomination and Remuneration Committee** (*ASX Recommendation 2.4*)

The Nomination and Remuneration Committee role is to consider the structure and balance of the Board including, when necessary, selecting candidates for the position of director as well as providing maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately.

The Committee's primary functions are:

- To set director competence standards and review Board succession plans;
- To evaluate the Board's, Committees and Individual directors performance;
- To make recommendations to the Board on:
  - executive remuneration and incentive policies;
  - the Company's recruitment, retention, performance management and termination policies for senior management;
  - medium and long term incentive plans; and
  - the remuneration framework for directors.

The Nomination and Remuneration Committee has adopted a charter that details the role and responsibilities of the Committee and its members. The charter is currently being reviewed and updated

## Corporate governance statement

and will, following adoption by the Board, be posted on the Company's website following inclusion of the Corporate Governance section.

All members of the Remuneration and Nomination Committee were non-executive directors for the financial year. Give the recent change in the composition of the Board, including reducing the number of non-executive members, it has been resolved that the function of these committees will be undertaken by the Board, excluding the executive directors, for the foreseeable future.

### **Principle 3: Promote ethical and responsible decision making**

Directors and the Senior Executive Team are required to maintain the highest legal, moral and ethical standards of conduct. The Board has adopted the Code of Conduct and Ethics which provides guidance for all staff on compliance with legal and other obligations in a way that enhances the reputation of the Company. *(ASX Recommendation 3.1)*

Directors and the Senior Executive Team are encouraged to own shares in the Company purchased in accordance with the Company's Securities Trading Policy. Under this Policy, Directors and the Senior Executive Team are also prohibited from dealing in securities of BigAir during designated periods and at any time at which the individual is in possession of price-sensitive information. *(ASX Recommendation 3.2)*

The Code of Conduct and Ethics is posted on the Company's website in the Investor Relations section. *(ASX Recommendation 3.3)*

### **Principle 4: Safeguard integrity in financial reporting**

The Company's Board is committed to ensuring the integrity of the Company's financial reports. To assist the Board in fulfilling this commitment the Audit Committee, which was comprised of three Independent Directors, adopted processes which are aimed at providing assurance that the financial statements and related notes are in accordance with applicable accounting standards and provide a true and fair view. Compliance with these procedures and policies is subject to review by the external auditors. The Committee approves and oversees the implementation of any new accounting policies or processes. *(ASX Recommendations 4.2 and 4.3)*

The Committee provided a link between the external auditors and the Board, and monitored compliance with the Company's statutory responsibilities. The Committee is responsible for making recommendations on the appointment, evaluation and dismissal of external auditors, setting fees and ensuring that the external auditors report to the Committee and the Board. The Committee reviews the performance and independence of the external auditors on an annual basis.

BigAir is also committed to auditor independence. The Committee reviews the independence and objectivity of the external auditor.

The Chief Executive Officer and the Chief Financial Officer provide the Board with written confirmation that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and that the operational results are in accordance with relevant accounting standards. *(ASX Recommendation 4.1)*

The Audit Committee has adopted a charter that details the composition, role and responsibilities of the Board. The charter is available on the Company's website. *(ASX Recommendations 4.4 and 4.5)*

## Corporate governance statement

As noted above, with the reduction in the number of non-executive directors, the role of the Audit Committee will be assumed by the Board, excluding the two executive directors where appropriate, for the foreseeable future.

### **Principle 5: Make timely and balanced disclosure**

The Company believes that shareholders, regulators and the investment community generally should be fully informed of events and risks that impact the Company in a timely and accessible manner. The Company adopted a Continuous Disclosure Policy in 2005. The policy is available on the Company's website. The Board continuously monitors for compliance. (*ASX Recommendations 5.1 and 5.2*)

The Policy ensures the Company complies with its continuous disclosure obligations, as defined under the Corporations Act and ASX Listing Rules, in respect of price-sensitive information which is lodged with the ASX as soon as practical and before disclosure to external parties.

### **Principle 6: Respect the rights of the shareholders**

It is the policy of the Company that all external communications are factual, timely, do not omit material information and are expressed in a clear and objective manner. Email communication of ASX announcements is currently provided to just over half of all shareholders and the Company is actively perusing broader email communication with shareholders.

The principal communication channels are through the provision of the annual and half-yearly reports, periodic analyst and media briefings, the distribution of specific material covering major transactions and events and the Annual General Meeting. Notices of Meeting will be accompanied by explanatory notes on the items of business and together they will seek to clarify and explain the nature of the business of the meeting. The Company notes the ASX Recommendation that the Company has a written policy in respect of external communications however the Board and management are of the opinion that the size of the organization and the internal lines of communication are such that a formal written policy is not warranted at this time. (*ASX Recommendation 6.1*)

The Board's philosophy is to encourage full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

The external auditor attends the Annual General Meeting and is available to answer questions about the conduct of the audit and the preparation and content of the auditor's report. (*ASX Recommendation 6.2*)

### **Principle 7: Recognise and manage risk**

There are substantial risks in the market in which the Company operates. While it is important that risks are identified and monitored by management and the Board, it is not possible for the Company to eliminate all risks. Management monitors risk and provides monthly updates to the Board and responds to issues raised by the Board. The Company notes the ASX Recommendation that the Company has a written policy in respect of risk however, as with external communications, the Board and management are of the opinion that the size of the organization and the internal lines of communication are such that a formal written policy is not warranted at this time. (*ASX Recommendation 7.1*)

## Corporate governance statement

Management and the Board are responsible for the Company's internal controls. The Board monitors operational and financial aspects and, through the Audit Committee, considers the advice of external auditors and other external advisers on operational and financial risks which the Company faces.

The Chief Executive Officer and Chief Financial Officer provide written assurance to the Board as to the integrity of the financial statements and that they are founded on a sound system of risk management and internal controls which are operating effectively and efficiently. (*ASX Recommendations 7.2 and 7.3*)

### **Principle 8: Encourage enhanced performance**

The Board undertakes an informal performance assessment including an assessment of the Board and Committees and individual Directors. These performance assessments, given the size of the Board and the Committees, are conducted on a bi-annual basis to enable appropriate time to be devoted to the process. Performance review of individual directors was undertaken during the year with the Chairman then conducted individual interview of Directors. The results of the interview were complied with the results being discussed and recommendations adopted by the Board.

Employees, including key executives, participate in annual performance reviews with their manager, where performance targets are set and achievement of key objectives for the prior twelve months are discussed and measured.

The Company notes the ASX Recommendation that the Company publishes the process for performance evaluation of the Board, its committees, individual directors and senior executives. However the Board and management are of the opinion that these processes and policies are still in the development phase and as such inappropriate to be published. (*ASX Recommendation 8.1*)

### **Principle 9: Remuneration fairly and responsibly**

The Company's remuneration policy and practices are designed to attract, motivate and retain high-quality people and are contained in the Remuneration Report contained in the Directors' Report in relation to the Directors and senior executives (see pages 14-15).

The Company recognises that investors need to understand the cost and benefits of those policies and the link between remuneration paid and corporate performance. Details are contained in the Remuneration Report. The Board has established a Nominations and Remuneration Committee which conformed during the financial year to the ASX Recommendations in relation to composition and chair. However this will not be the case in the current financial year. Further details in relation to the Committee, including the number of meetings held and membership, are disclosed in the Directors' Report. (*ASX Recommendation 9.1, 9.2 and 9.3*)

The Company's Employee Share Plan and Share Option Plan were approved by shareholders at the 2005 Annual General Meeting, prior to the Company listing on the Australian Stock Exchange Limited. A description of the Share Option Plan is provided in the Financial Report including the number of options on issue, details of expiry dates and exercise price. No shares there have been issues under the Employee Share Plan. (*ASX Recommendation 9.4*)

The remuneration for non-executive directors is detailed in the Remuneration Report and in accordance with the ASX Recommendations there are no termination payments other than payments accruing from superannuation contributions comprising part of the Director's remuneration. (*ASX Recommendation 9.3*)

## Corporate governance statement

### **Principle 10: Recognising the legitimate interests of stakeholders**

The Board has adopted the Code of Conduct and Ethics and the policies discussed under Principle 3 provide guidance for dealing with third parties and external stakeholders. The Code of Conduct and Ethics are available for general viewing on the Company's website. (*ASX Recommendation 10.1*)

In addition the Company has documented policies on equal opportunity and standards of workplace behavior which are communicated to employees at the time of employment and reinforced by continuous performance management, employee training programs and incorporated into the Employee Handbook which is made available to all employees.

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# BigAir Group Limited

## Directors' report for the financial year ended 30 June 2008

The directors of BigAir Group Limited submit herewith the annual financial report of the Company for the year ended 30 June 2008. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

Name	Particulars
Jason Ashton (Interim Chairman Executive Director)	B.Sc, M. Comm, aged 36. Co-founded BigAir in 2002. Previously co-founded business ISP Magna Data in 1993, which was acquired by Davnet Limited in 1999 for \$20m. Also served as CEO of DavTel Pty Ltd, Australian subsidiary of NTT Communications (Japan).
Danny Herceg (Resigned Non-Executive Chairman)	Aged 41. Danny is a senior commercial lawyer with a specialisation in capital raisings, mergers and acquisitions, privatisations and restructurings. Former chairman of Nomination and Remuneration Committee and Audit Committee.
Patrick Choi (Executive Director)	Aged 40. B Computer Science, MBA. Co-founded BigAir in 2002. Extensive telecommunications and IT industry experience, formally executive director at Powertel Limited. Previously based in New York at SK Telecom International.
Nigel Jeffries (Non-Executive Director)	Aged 44. New Zealand based investor and substantial shareholder of BigAir. CEO of RPNZ Ltd, a wholly owned subsidiary of RP Data Pty Ltd. Member of Nomination and Remuneration Committee.
Vivian Stewart (Non- executive Director)	B.A., MBA, Aged 36. Extensive background in IT&T industry, venture capital and corporate advisory. Co-founded two IT&T companies and currently a director of Hall Capital specialising in capital raisings and corporate strategy.
Anthony Tobin (Resigned Non-Executive Independent Chairman)	B.A. LLB, aged 60. One of the founders of Gilbert + Tobin. Mr. Tobin has over 30 years' experience as a corporate and commercial lawyer, advising listed and private companies on a range of corporate transactions.
Shane Allan (Resigned Non-Executive Independent Director)	B Commerce, MBA, aged 59. Extensive experienced in telecommunications industry, most recently serving as CEO of Powertel Limited and previously Finance Director, Telstra. Chairman of Audit Committee.
Anne Lenagan (Resigned Non-Executive Independent Director)	B.A. aged 58. Experienced marketing and business executive. Has held senior board position at Unilever including executive director of Unilever Australia Pty Ltd and Unilever New Zealand Pty Ltd.
Ray Catelan (Resigned Non-Executive Director)	Aged 58. Ray has extensive commercial and management experience both in public and private Company environments including more than 12 years in the IT industry. Ray founded RP Data in 1991 and was the managing director.
Ross McColl (Resigned Non-executive Director)	B.A. Aged 64, Experienced executive and consultant in New Zealand, Malaysia, the USA and Australia. Previous roles included Mergers and Acquisitions, growth strategies, general management

# BigAir Group Limited

## Directors' report (cont'd)

The above named directors held office of the Company during and since the end of the financial year except for:

Anthony Tobin – resigned 27 July 2007  
Shane Allan – resigned 27 July 2007  
Anne Lenagan – resigned 27 July 2007  
Ray Catelan – appointed 27 July 2007, resigned 11 January 2008  
Patrick Choi – appointed 27 July 2007  
Danny Herceg – appointed 27 July 2007, resigned 17 July 2008  
Ross McColl – appointed 11 January 2008, resigned 30 June 2008  
Vivian Stewart – appointed 11 June 2008

### Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Ray Catelan	RP Data Limited CMI Limited	From December 2006 to 11 January 2008 From 18 May 2007 to current
Shane Allan	Orion Telecommunications Limited	From 4 May 2006 to 27 July 2007
Danny Herceg	CMI Limited Bluefreeway Limited	From 9 March to current From 11 March 2008 to 30 May 2008

### Former partners of the audit firm

None of the officers of the Company were a partner in the auditor of the Group at any time prior to or during the financial year.

### Company secretary

Name	Particulars
Patrick Choi	B Computer Science, MBA, aged 40. Co-founded BigAir in 2002. Extensive telecommunications and IT industry experience, formally executive director at Powertel Limited. Previously based in New York at SK Telecom International. Currently Executive Director and Chief Financial Officer of the Group.

### Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the Remuneration Report of this director's report, on pages 16 to 18.

### Principal activities

The consolidated entity's principal activity in the course of the financial year was providing broadband wireless communications services to the business and residential market. Emphasis is being placed on the business market going forward, rather the residential market.

# BigAir Group Limited

## Directors' report (cont'd)

There was no significant change in the nature of the business activities of the consolidated entity during the year.

During the financial year the Company expanded its network coverage to Melbourne and Brisbane establishing itself as one of the leading fixed wireless service provider in the eastern seaboard.

The residential market is serviced through re-selling iBurst, a product on a network operated by PBA Pty Ltd, and Unwired, on a network operated by Unwired Pty Ltd.

### Review of operations

BigAir Group Limited announced today its first full year EBITDA profit of \$704,449 for the year ended 30 June 2008, an improvement of 172% on the previous corresponding full year period. The result was achieved through a combination of 69% organic growth in "on-net" revenues from ongoing customer acquisition across its recently expanded fixed WiMAX wireless networks in Sydney, Melbourne and Brisbane and also through a reduction in operating expenses.

Revenues in mobile wireless services which utilise other carrier's networks ("off-net") declined during the period reflecting the Company's increased focus on its own wireless broadband infrastructure and reduced focus on reselling other networks. The realignment of sales efforts to selling higher margin fixed broadband services has also helped deliver a 23% reduction in cost of sales and a 28% reduction in operating expenses compared to the previous corresponding period.

The Company has now achieved a cashflow breakeven and for the last two quarters of the current financial year achieved a net positive cashflow growth.

The results are set out in the following table:

		Movement	Movement	Year ending	Year ending
		%	\$	30-Jun-08	30-Jun-07
				\$	\$
<b>Fixed "On-net" Revenue</b>	▲	69%	1,492,789	3,666,764	2,173,975
Mobile "Off-net Revenue	▼	-34%	(2,333,853)	4,595,668	6,929,521
Total Revenue	▼	-9%	(841,064)	8,262,432	9,103,496
<b>Gross Profit</b>	▲	16%	524,899	3,732,107	3,207,208
Gross Profit Margin (% Rev)		28%	10%	45%	35%
Operating Expenses	▼	-28%	(1,163,352)	3,027,658	4,191,010
<b>EBITDA</b>	▲	172%	1,688,251	704,449	(983,802)
EBITDA (as % Revenue)	▲	179%	19%	9%	-11%
<b>NPAT (before Impairment)</b>	▲	101%	1,632,076	18,929	(1,613,147)
Net Tangible Assets per Share (cents)	▲	9%	0.4	4.7	4.3

**Directors' report (cont'd)**

The mobile wireless broadband division generated \$4,595,668 (2007: \$6,929,521) in revenue for the financial year and the fixed wireless broadband division recorded \$3,666,764 (2007: \$2,173,975) in revenue.

Consistent with the Company's strategy to increase the share of "on-net" revenues the total gross profit on "on-net" revenues was increased by 89% to \$2.9 million. In addition the Gross Profit Margin as a percentage of total revenues increased to 77% from 47% in the previous corresponding period. The 69% organic growth during the period in fixed "on-net" wireless revenues versus the previous corresponding period is a pleasing result and bodes well for the recent expansion of the companies' networks in to the Melbourne and Brisbane business markets.

**Reduction in Operating Expenses - 28% from Previous Corresponding Period**

During the past year the Company has undertaken a significant realignment of its sales and marketing activities in order to focus on selling its own high margin, business-grade fixed broadband services. These services contribute much higher average revenue per business customer (approx \$900 per customer per month) versus its mobile wireless customers (approx \$53 per customer per month) and they utilise BigAir's own fixed WiMAX wireless networks covering the major metropolitan areas of Sydney, Melbourne and Brisbane.

This realignment of sales efforts and other cost saving measures helped deliver a 49% reduction in sales and marketing expenses along with a 5% reduction in employee expenses and 37% reduction in General Administration expenses compared to the prior corresponding period, resulting in an overall 28% reduction in operating expenses.

Operating Expenses Comparison	Movement	Movement	Year	Year	
			ending	ending	
	%	\$	30-Jun-08	30-Jun-07	
			\$	\$	
Employee benefits expense	▼	-5%	(73,330)	1,447,078	1,520,408
Sales and marketing expense	▼	-49%	(587,245)	603,309	1,190,554
General administration expense	▼	-37%	(490,717)	852,334	1,343,051
Occupancy costs	▼	-9%	(12,060)	124,937	136,997
<b>Total Operating Expenses</b>	▼	<b>-28%</b>	<b>(1,163,352)</b>	<b>3,027,658</b>	<b>4,191,010</b>

**Division Results – Continuing focus on Fixed Wireless "on-net" Revenues**

For the first time in the Company's history, the gross profit margin contribution from the fixed wireless business unit was greater than the mobile wireless division at 77% for the full year. As a result of this growth the overall gross profit margin for the year has increased to 45% from 35% in the prior year. There were no new acquisitions of either companies or customer bases during the financial year—the growth was entirely organic.

The Fixed Wireless division revenues increased by 69% to approx \$3.7 million in the year ending 30 June 2008 and its gross profit contribution increased by 89%. Due to strong customer growth and its network ownership which provides a fixed cost structure the margins generated in this division continue to increase from 70% in FY07 to 78% in FY08. Most of the network costs of service for fixed wireless broadband services are fixed and as this product line continues to expand we expect the cost of sales to grow at lower levels, thus continuing to drive margin growth.

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# BigAir Group Limited

## Directors' report (cont'd)

Fixed Wireless ("On-net") Division		Movement	Movement	Year ending	Year ending
		%	\$	30-Jun-08	30-Jun-07
				\$	\$
Fixed Wireless Revenue ("On-net")	▲	69%	1,492,789	3,666,764	2,173,975
Fixed Wireless Gross Profit \$ ("On-net")	▲	89%	1,349,752	2,865,412	1,515,660
Fixed Wireless Gross Profit % ("On-net")	▲	12%	8%	78%	70%

As previously announced, the Company commenced the upgrade of its Sydney network to fixed WiMAX technology (802.16d) in July 2007 and has also built Australia's first WiMAX metropolitan networks in Melbourne and Brisbane during the financial year. BigAir's 802.16d technology has the ability to establish high speed wireless connections over distances up to 30km avoiding the need to deploy costly fibre or cable to reach under-serviced suburban areas.

The total network footprint is now approaching 10,000 square kilometre's and WiMAX rollout has contributed to increase in both revenue and margins for the Company and was a major factor in the dramatic turn around of EBITDA and cashflow results.

The Company is a leading provider of business quality wireless broadband services with a unique and comprehensive wireless offering in increasingly larger areas now covering Sydney, Melbourne and Brisbane metropolitan areas. The Company has also introduced the Country's first commercial Gigabit wireless service during the financial year.

### Financial Performance

The improvements in Gross Profit and reduction in Operating Expenses previously mentioned resulted in a \$1.7 million improvement in EBITDA, which was positive \$704,449 for the financial year. Below the EBITDA line amortisation and depreciation expenses were reduced by 25% on the previous corresponding period. These results combined to deliver Net Profit after Tax (before Impairment) of \$18,929 for the financial year ending 30 June 2008, a 101% improvement from the previous corresponding period.

Consistent with the increasing focus on fixed wireless business and declining opportunities in the mobile wireless business the Board has reviewed the carrying value of the goodwill in relation to its Veritel subsidiary which contains the mobile business and made a goodwill impairment of \$2,256,645 and a customer base impairment of \$115,848.

Mobile Wireless ("Off-net") Division		Movement	Movement	Year ending	Year ending
		%	\$	30-Jun-08	30-Jun-07
				\$	\$
Mobile Wireless Revenue ("On-net")	▼	-34%	(2,333,853)	4,595,668	6,929,521
Mobile Wireless Gross Profit \$ ("On-net")	▼	-49%	(824,853)	866,695	1,691,548
Mobile Wireless Gross Profit % ("On-net")	▼	-23%	-6%	19%	24%

# BigAir Group Limited

## Directors' report (cont'd)

		Movement	Movement	Year ending	Year ending
		%	\$	30-Jun-08	30-Jun-07
				\$	\$
<b>EBITDA</b>	▲	172%	1,688,251	704,449	(983,802)
less Depreciation	▼	-14%	89,182	(527,376)	(616,558)
less Amortisation	▼	-34%	246,000	(480,476)	(726,476)
Other Revenue	▼	-56%	(120,407)	94,680	215,087
Income Tax Benefit	▼	-55%	(278,353)	227,652	506,005
less Finance Costs	▼	-100%	7,403		(7,403)
<b>NPAT (before Impairment)</b>	▲	101%	1,632,076	18,929	(1,613,147)

With strong profit growth from fixed wireless business, increased network footprint, and a stronger balance sheet the Group expects to improve its earnings further in the new financial year.

### Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity.

### Subsequent events

Subsequent to year-end the iBurst network owner PBA Pty Ltd has been placed in administration. PBA Pty Ltd continues to trade and operate its network. Other than this event, and the changes in the composition of the Board, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

### Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

### Dividends

In respect of the financial year ended 30 June 2008, no dividend was declared or paid. The Company has not paid a dividend in relation to the previous financial year.

### Share options granted to directors and senior management

During or since the end of the financial year the following new options were granted over unissued shares by the Company to any director or to any of the five most highly remunerated officers of the Company as part of their remuneration:

# BigAir Group Limited

## Directors' report (cont'd)

Executive	Options granted
Matt McGuire	800,000

During the financial year the following options were cancelled by the Company relating to directors or to any of the five most highly remunerated officers of the Company as part of their remuneration:

Executive	Options cancelled
Matt McGuire	800,000

### Shares under option or issued on exercise of options

No shares were issued during or since the end of financial year as a result of the exercise of an option over unissued shares.

Details of unissued shares under option issued by the Company are:

Directors and Executives	Number of shares under option	Class of shares	Exercise Price	Expiry date of options
Anthony Tobin	720,000	Ordinary shares	40 cents	15 July 2008
Shane Allan	720,000	Ordinary shares	40 cents	15 July 2008
Anne Lenagan	720,000	Ordinary shares	40 cents	15 July 2008
Jason Ashton	1,920,000	Ordinary shares	40 cents	3 April 2011
Patrick Choi	1,920,000	Ordinary shares	40 cents	3 April 2011
David Keane	1,920,000	Ordinary shares	40 cents	3 April 2011

Under the terms of the option agreements, the right to exercise the options will vest when the share price reaches 40 cents and stays above that price for at least 30 days. It has been assumed that the options will vest within 3 years (directors) to 5 years (executives) from the grant date, based on the assumed volatility of the share and the terms of the option agreements.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue of the Company.

### Indemnification of officers and auditors

In June 2008 the Company paid a premium in respect of a contract insuring the directors, the Company secretary and all executive officers of the Company against a liability incurred by a director or officer to the extent permitted by the Corporations Act 2001. The insurance cover is effective from 19 June 2008 for a period of 12 months.

Under the provisions of the constitution of the Company, to the extent permitted by law, each officer of the Company is indemnified by the Company against liability incurred to another person (other than the Company or a related body corporate) except where the liability arises out of conduct involving a lack of good faith. Accordingly each officer of the Company is indemnified against any liability for costs and expenses incurred by the officer in defending proceedings, whether civil or criminal, in which judgement is given in favour of the

# BigAir Group Limited

## Directors' report (cont'd)

officer or in which the officer is acquitted, or in connection with an application, in relation to such proceedings in which the court grants relief to the officer under the Corporations Act 2001.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

### Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 10 Board meetings, 1 Remuneration and Nomination Committee meeting and 2 Audit Committee meetings were held.

Director	Board meetings		Audit Committee meetings		Remuneration Committee meetings	
	Held *	Attended	Held	Attended	Held	Attended
Jason Ashton	10	10	2	2	-	-
Anthony Tobin	1*	1	-	-	-	-
Shane Allan	1*	1	-	-	-	-
Anne Lenagan	1*	1	-	-	-	-
Nigel Jeffries	10	10	2	2	1	1
Danny Herceg	9*	9	2	2	1	1
Ray Catelan	5*	5	2	2	-	-
Ross McColl	3*	3	-	-	1	1
Patrick Choi	9*	9	2	2	-	-

\* Number of meetings eligible to attend

### Directors' shareholdings

The following table sets out each director's relevant interest in shares and options over unissued shares of the Company as at the date of this report:

Director	Fully paid ordinary shares Number	Share Options Number
Jason Ashton	9,579,718	1,920,000
Nigel Jeffries	8,000,000	-
Patrick Choi	6,482,411	1,920,000
Vivian Stewart	7,371,704	-

### Proceedings on behalf of the Company

No person applied for leave under section 237 of the Corporations Act 2001 to bring or intervene in proceedings on behalf of the Company.

### Non-audit services

No non-audit services were provided during the year by the auditors.

**Directors' report (cont'd)**

**Auditor's independence declaration**

The auditor's independence declaration is included on page 19 of the annual report.

**Remuneration report**

The remuneration report, which forms part of the directors' report, sets out information about the remuneration of BigAir Group Limited's directors and its senior management for the financial year ended 30 June 2008.

Remuneration policy for directors and executives

During the year, the Board had a Remuneration and Nomination Committee that reviewed the remuneration packages of all directors, the secretary and executive officers on an annual basis and made recommendations to the Board. Subsequent to year end, the Board, excluding executive directors, has adopted the function of the Remuneration and Nomination Committee. Remuneration packages are determined with reference to market rates and are benchmarked against comparable industry salaries.

Current year remuneration was based on a number of short and long term components regarding the Company's general performance and the creation of shareholder value.

Director and executive details

The following persons acted as directors of the Company during or since the end of the financial year:

Danny Herceg (Chairman, Non-executive director), appointed 27 July 2007, resigned July 17, 2008

Jason Ashton (Chief Executive Officer)

Patrick Choi (Chief Financial Officer), appointed 27 July 2007

Nigel Jeffries (Non-executive director)

Vivian Stewart (Non-executive director), appointed 11 June 2008

Ray Catelan (Non-executive director), appointed 27 July 2007, resigned 11 January 2008

Ross McColl (Non-executive director), appointed 11 January 2008, resigned 30 June 2008

Anthony Tobin (former Chairman, Non-executive director), resigned 27 July 2007

Shane Allan (Non-executive director), resigned 27 July 2007

Anne Lenagan (Non-executive director), resigned 27 July 2007

The highest remunerated Group executives of the Company and the Group during or since the end of the financial year are termed "senior management" and are:

Jason Ashton (Chief Executive Officer)

Patrick Choi (Chief Financial Officer & Company Secretary)

Matt McGuire (National Sales and Marketing Manager) – resigned 16 November 2007

Contracts for services of key management personnel

Under the Company constitution, one-third of the non-executive directors stand for re-election at each annual general meeting.

The executives have in place standard contracts with the Company which allow either party to give three months notice to terminate the contract of employment. There are no provisions for termination payments provided under these contracts. The non-executive directors do not have employment contracts with the Company, and there is no requirement to provide notice prior to resignation.

# BigAir Group Limited

## Directors' report (cont'd)

### Remuneration of directors and senior management

Remuneration packages contain the following key elements:

- (a) Short term employment benefits – Salary and fees;
- (b) Performance-related bonuses for key executives, based on achieving the Board-approved budget; and
- (c) Post employment benefits – Superannuation of 9% of gross salary.

The directors and the senior management received the following amounts as compensation for their services as directors and senior management of the Company and/or Group during the financial year:

2008 Remuneration	Short-term Employment Benefits		Post Employment Benefits Superannuation \$	Total \$
	Salary & Fees \$	Cash Performance Bonus \$		
<b>Non-executive Directors</b>				
Anthony Tobin	5,080	-	457	5,537
Danny Herceg	36,302	-	3,267	39,569
Shane Allan	3,629	-	327	3,956
Anne Lenagan	3,266	-	294	3,560
Ross McColl (i)	10,000	-	900	10,900
Vivian Stewart	1,056	-	95	1,151
Ray Catelan	10,591	-	953	11,544
Nigel Jeffries	20,000	-	1,800	21,800
<b>Senior Management</b>				
Jason Ashton	129,000	13,500	12,825	155,325
Patrick Choi	129,000	13,500	12,825	155,325
Matt McGuire	69,070	-	6,216	75,286
<b>Total</b>	<b>416,994</b>	<b>27,000</b>	<b>39,959</b>	<b>483,953</b>

- (i) Ross McColl also received \$48,905 for consulting services provided separately under contract during the year.

2007 Remuneration	Short term employment benefits Salary & Fees \$	Post employment benefits Superannuation \$	Share Based Payment - Equity Options \$	Total \$
Anthony Tobin	-	70,000	9,901	79,901
Shane Allan	-	50,000	9,901	59,901
Anne Lenagan	-	45,000	9,901	54,901
Nigel Jeffries	-	45,000	-	45,000
Jason Ashton	120,000	10,800	27,155	157,955
Patrick Choi	120,000	10,800	27,155	157,955
Ivan Hurwitz	124,000	4,860	(6,790)	122,070
David Keane	21,000	-	27,155	48,155
Matt McGuire	157,658	14,189	-	171,847
<b>Total</b>	<b>542,658</b>	<b>250,649</b>	<b>104,378</b>	<b>897,685</b>

Apart from the performance bonus, none of the other short term and post employment paid in the financial year was dependent on the satisfaction of a performance condition.

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# BigAir Group Limited

## Directors' report (cont'd)

### Relationship between the remuneration policy and Company performance

Performance related bonuses are paid to certain key executives. The performance related bonus was chosen by the board as being the most appropriate measure of assessing management performance at this time. Bonuses are calculated and paid based on the Company achieved certain revenue and EBITDA targets. Revenue and EBITDA were selected as the key performance targets by the board to assess the performance of executives. During the current year the business achieved the EBITDA target and 96 % of the revenue target. As a result the bonus paid to the executives was adjusted downwards in relating to what would have been paid if the revenue target was also achieved.

The table below sets out summary information about the consolidated entity's earnings and the movement in shareholder wealth for the three years to June 2008:

	<b>30 June 2008</b>	<b>30 June 2007</b>	<b>30 June 2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue	8,262,436	9,103,496	6,889,858
Net loss before tax	(2,581,216)	(2,449,152)	(1,896,017)
Net loss after tax	(2,353,564)	(1,943,147)	(1,333,144)

	<b>30 June 2008</b>	<b>30 June 2007</b>	<b>30 June 2006</b>
	<b>cents per share</b>	<b>cents per share</b>	<b>cents per share</b>
Share price at start of year	8.6	15.0	25.0
Share price at end of year	3.2	8.6	15.0
Interim dividend	-	-	-
Final dividend	-	-	-
Basic earnings per share	(2.7)	(2.3)	(2.2)
Diluted earnings per share	(2.7)	(2.3)	(2.2)

Five years of information is not provided in the two tables above as the Group listed in 2006.

### Value of options issued to directors and executives

No options were exercised during or since the end of the financial year.

Signed in accordance with a resolution of the directors made pursuant to s. 298(2) of the Corporations Act 2001.

On behalf of the directors



J Ashton  
CEO and Executive Director

Sydney  
27 August 2008

The Board of Directors  
BigAir Group Limited  
Level 1, 59 Buckingham Street  
SURRY HILLS NSW 2010

27 August 2008

Dear Sirs

### **BigAir Group Limited**

In accordance with s. 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of BigAir Group Limited.

As lead audit partner for the audit of the financial statements of BigAir Group Limited for the financial year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Adam Thompson  
Partner  
Chartered Accountants

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF BIGAIR GROUP LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of BigAir Group Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 67.

*Directors' Responsibility for the Financial Report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's Opinion*

In our opinion:

- (a) the financial report of BigAir Group Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

*Report on the Remuneration Report*

We have audited the Remuneration Report included in pages 16 to 18 of the directors' report for the year ended 30 June 2008. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of BigAir Group Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Adam Thompson  
Partner  
Chartered Accountants  
Sydney, 27 August 2008

**Directors' declaration**

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable;
- b) in the directors' opinion, the attached financial statements and notes thereto, are in accordance with the Corporations Act 2001, including compliance with accounting standards and gives a true and fair view of the financial position and performance of the Company and the consolidated entity; and
- c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s. 295(5) of the Corporations Act 2001.

On behalf of the directors



J Ashton  
CEO and Executive Director

Sydney  
27 August 2008

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## BigAir Group Limited

### Income statement for the financial year ended 30 June 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	4	8,262,432	9,103,496	3,666,764	2,173,975
Cost of sales		(4,530,325)	(5,896,288)	(801,352)	(658,315)
<b>Gross Profit</b>		<u>3,732,107</u>	<u>3,207,208</u>	<u>2,865,412</u>	<u>1,515,660</u>
Other revenue	4	94,680	215,087	360,150	356,799
Employee benefits expense	6	(1,447,078)	(1,520,408)	(1,318,676)	(894,209)
Sales and marketing expenses		(603,309)	(1,190,554)	(511,040)	(628,992)
General administration expenses		(852,334)	(1,343,051)	(708,224)	(697,528)
Depreciation and amortisation expenses	6	(1,007,852)	(1,343,034)	(761,553)	(899,574)
Impairment expenses	6	(2,372,493)	(330,000)	(3,311,655)	(1,591,506)
Occupancy expenses		(124,937)	(136,997)	(119,688)	(108,846)
Finance costs	5	-	(7,403)	-	(7,403)
<b>Loss before income tax</b>	6	<u>(2,581,216)</u>	<u>(2,449,152)</u>	<u>(3,505,274)</u>	<u>(2,955,599)</u>
Income tax benefit	7	227,652	506,005	48,651	314,176
<b>Loss for the year</b>		<u>(2,353,564)</u>	<u>(1,943,147)</u>	<u>(3,456,623)</u>	<u>(2,641,423)</u>
<b>Earnings per share</b>					
- Basic (cents per share)	24	(2.7)	(2.3)		
- Diluted (cents per share)	24	(2.7)	(2.3)		

Notes to the financial statements are included on pages 28 to 67

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# BigAir Group Limited

## Balance sheet as at 30 June 2008

	Note	Consolidated		Company	
		2008	2007	2008	2007
		\$	\$	\$	\$
<b>Current assets</b>					
Cash and cash equivalents	29(a)	1,662,245	2,771,147	1,083,927	2,596,548
Trade and other receivables	11	280,364	547,436	199,076	316,514
Inventories	12	7,262	56,755	-	-
Other	13	119,979	192,294	20,980	37,326
<b>Total current assets</b>		<b>2,069,850</b>	<b>3,567,632</b>	<b>1,303,983</b>	<b>2,950,388</b>
<b>Non-current assets</b>					
Other financial assets	14	-	-	-	608,213
Trade and other receivables	15	34,827	33,127	34,827	1,624,633
Property, plant and equipment	16	1,820,247	1,337,970	1,795,932	1,304,339
Deferred tax assets	7	1,877,217	1,649,565	1,793,418	986,245
Goodwill	17	-	2,256,645	-	-
Other intangible assets	18	162,274	582,529	152,430	233,915
<b>Total non-current assets</b>		<b>3,894,565</b>	<b>5,859,836</b>	<b>3,776,607</b>	<b>4,757,345</b>
<b>Total assets</b>		<b>5,964,415</b>	<b>9,427,468</b>	<b>5,080,590</b>	<b>7,707,733</b>
<b>Current liabilities</b>					
Trade and other payables	19	1,400,971	2,272,259	1,592,628	808,170
Income received in advance	20	297,644	525,678	37,449	-
Provisions	21	72,151	82,318	72,151	64,578
<b>Total current liabilities</b>		<b>1,770,766</b>	<b>2,880,255</b>	<b>1,702,228</b>	<b>872,748</b>
<b>Total liabilities</b>		<b>1,770,766</b>	<b>2,880,255</b>	<b>1,702,228</b>	<b>872,748</b>
<b>Net assets</b>		<b>4,193,649</b>	<b>6,547,213</b>	<b>3,378,362</b>	<b>6,834,985</b>
<b>Equity</b>					
Issued capital	22	10,543,251	10,543,251	10,543,251	10,543,251
Reserves	23	161,237	161,237	161,237	161,237
Accumulated losses		(6,510,839)	(4,157,275)	(7,326,126)	(3,869,503)
<b>Total equity</b>		<b>4,193,649</b>	<b>6,547,213</b>	<b>3,378,362</b>	<b>6,834,985</b>

Notes to the financial statements are included on pages 28 to 67

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## BigAir Group Limited

### Statement of changes in equity for the financial year ended 30 June 2008

	Consolidated				
	Fully paid ordinary shares \$	Option premium on convertible notes \$	Employee equity-settled benefits \$	Accumulated losses \$	Total \$
<b>Balance at 30 June 2006</b>	10,221,568	22,513	56,859	(2,214,128)	8,086,812
<b>Loss for the period</b>				(1,943,147)	(1,943,147)
<b>Total recognised income and expense</b>	-	-	-	(1,943,147)	(1,943,147)
<b>Attributable to: Equity holders of the parent</b>		-	-	(1,943,147)	(1,943,147)
Issue of shares to advisor on public offering	309,945	-	-	-	309,945
Share based payments			104,378	-	104,378
Share issue costs	(10,775)	-	-	-	(10,775)
Settlement of convertible notes	22,513	(22,513)	-	-	-
<b>Balance at 30 June 2007</b>	10,543,251	-	161,237	(4,157,275)	6,547,213
<b>Loss for the period</b>	-	-	-	(2,353,564)	(2,353,564)
<b>Balance at 30 June 2008</b>	10,543,251	-	161,237	(6,510,839)	4,193,649

Notes to the financial statements are included on pages 28 to 67

## BigAir Group Limited

### Statement of changes in equity for the financial year ended 30 June 2008

	Company				Total \$
	Fully paid ordinary shares \$	Option premium on convertible notes \$	Employee equity-settled benefits \$	Accumulated losses \$	
<b>Balance at 30 June 2006</b>	10,221,568	22,513	56,859	(1,228,080)	9,072,860
<b>Loss for the period</b>	-	-	-	(2,641,423)	(2,641,423)
<b>Total recognised income and expense</b>	-	-	-	(2,641,423)	(2,641,423)
<b>Attributable to: Equity holders of the parent</b>	-	-	-	(2,641,423)	(2,641,423)
Issue of shares to advisor on public offering	309,945	-	-	-	309,945
Share based payments	-	-	104,378	-	104,378
Share issue costs	(10,775)	-	-	-	(10,775)
Settlement of convertible notes option	22,513	(22,513)	-	-	-
<b>Balance at 30 June 2007</b>	10,543,251	-	161,237	(3,869,503)	6,834,985
<b>Loss for the period</b>	-	-	-	(3,456,623)	(3,456,623)
<b>Balance at 30 June 2008</b>	10,543,251	-	161,237	(7,326,126)	3,378,362

Notes to the financial statements are included on pages 28 to 67

## BigAir Group Limited

### Cash flow statement for the financial year ended 30 June 2008

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
<b>Cash flows from operating activities</b>					
Receipts from customers		9,558,022	9,583,913	4,003,099	2,360,421
Payments to suppliers and employees		(9,575,882)	(10,287,841)	(3,592,273)	(2,752,685)
Interest received		94,680	215,087	360,150	185,827
Interest and other costs of finance paid		-	(7,403)	-	(7,403)
Net cash provided by /(used in) operating activities	29(e)	76,820	(496,224)	770,796	(213,840)
<b>Cash flows from investing activities</b>					
Payments for plant and equipment	16	(1,009,653)	(1,030,453)	(1,009,653)	(1,030,453)
Payment for intangible assets	18	(176,069)	(299,365)	(162,128)	(56,147)
Loan to subsidiary		-	-	(1,111,936)	(269,812)
Net cash used in investing activities		(1,185,722)	(1,329,818)	(2,283,732)	(1,356,412)
<b>Cash flows from financing activities</b>					
Payment for share issue costs	22	-	(10,775)	-	(10,775)
Repayment of borrowings		-	(395,339)	-	(395,339)
Net cash used in financing activities		-	(406,114)	-	(406,114)
Net decrease in cash and cash equivalents		(1,108,902)	(2,232,156)	(1,512,621)	(1,976,366)
Cash and cash equivalents at the beginning of the financial year		2,771,147	5,003,303	2,596,548	4,572,914
Cash and cash equivalents at the end of the financial year	29(a)	1,662,245	2,771,147	1,083,927	2,596,548

Notes to the financial statements are included on pages 28 to 67

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## Notes to the financial statements

### 1. General information

BigAir Group Limited (the Company) is a public Company listed on the Australian Stock Exchange (trading under the symbol 'BGL'), incorporated and operating in Australia.

#### Registered office and principal place of business

Level 1  
59 Buckingham Street  
Surry Hills NSW 2010  
Tel: (02) 9993 1300

The entity's principal activity is providing broadband wireless communications services to the business and residential market.

### 2. Significant accounting policies

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 27 August 2008.

#### Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

#### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 3 for a discussion of critical judgements in applying the entity's accounting policies, and key sources of estimation uncertainty.

#### Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

## Notes to the financial statements

### 2. Significant accounting policies (cont'd)

Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Statements (revised October 2006)'
- AASB 7 'Financial Instruments: Disclosures'

At the date of authorisation of the financial report, AASB 8, 'Operating Segments', and AASB 2007-3, 'Amendments to Australian Accounting Standards arising from AASB 8' were in issue but not yet effective. The directors anticipate that the adoption of these Standards in future periods will have no material financial impact on the financial statements of the Company or the Group.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

#### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

#### (b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Notes to the financial statements

2. Significant accounting policies (cont'd)

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to insignificant risk of change in value and have a maturity of three months or less at the date of acquisition.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits, expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(e) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the separate financial statements of the parent.

Other financial assets are classified into the following specific categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date.

## Notes to the financial statements

### 2. Significant accounting policies (cont'd)

#### (e) Financial assets (cont'd)

Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollectible trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

#### (f) Financial instruments issued by the Company

##### Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

##### Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading is designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

Notes to the financial statements

2. Significant accounting policies (cont'd)

(f) Financial instruments issued by the Company (cont'd)

- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 30.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Goodwill is subsequently measured at its cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

Notes to the financial statements

2. Significant accounting policies (cont'd)

(h) Goodwill (cont'd)

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units).

An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period. On disposal of an operation within a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(i) Impairment of long-lived assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements

2. Significant accounting policies (cont'd)

(j) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

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Notes to the financial statements

2. Significant accounting policies (cont'd)

(j) Income tax (cont'd)

Tax consolidation

The Company and its wholly-owned Australian entity are not currently members of a tax consolidated group under Australian taxation law as of 30 June 2008, however they will form a tax consolidated group effective 1 July 2007, and the financial statements have been prepared on this basis.

(k) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis. See note (i) for the policy applying to the impairment of long lived assets excluding goodwill

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Customer bases

Customer bases acquired are recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Such costs are amortised over the expected period of economic benefit derived from the customer acquired. Customer bases are reviewed for impairment at the end of the financial year. Any impairment charge is recorded separately.

Subscriber acquisition costs

Direct subscriber acquisition costs in relation to customer contracts are recognised as an asset where it is probable that the future economic benefits arising as a result of the costs incurred will flow to the Group. Subscriber acquisition costs recognised as an asset are amortised from the inception of the contract over the lesser of the period of the contract and the period during which the future economic benefits are expected to be obtained, and reviewed for impairment at the end of the financial year (see also note 3).

Subscriber acquisition costs not recognised as an asset are expensed as incurred.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value on an average cost basis. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale.

2. Significant accounting policies (cont'd)

Notes to the financial statements

**(m) Leased assets**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time which reflects the pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(n) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Costs directly attributable to the development of the broadband infrastructure are recorded as assets. Costs include antennae, base stations, building-wide cabling and other items related to preparing the infrastructure for use.

Maintenance, repairs and minor replacements of the broadband infrastructure are charged to the income statement when incurred. Major replacements, improvements and upgrades to the infrastructure are capitalised and depreciated over the remaining useful life of the asset.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following estimated useful lives are used in the calculation of depreciation:

- Computer and office equipment                      3 years
- Broadband infrastructure                              1-6 years
- Office furniture and fittings                          6 years

**2. Significant accounting policies (cont'd)**

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## Notes to the financial statements

### (o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

### (p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, price protection, rebates and other similar allowances.

#### i. Supply of modems & connection of Internet services

Revenue from the sale of modems is recognised when the buyer has assumed the significant risks and rewards of ownership. Revenue from the connection of internet services is recognised at the contractual rate as labour hours are delivered and direct expenses are incurred.

#### ii. Standard Internet usage

Standard broadband Internet usage are charges billed to subscribers on a monthly basis in advance. These charges are recorded as income received in advance on the balance sheet until the end of the month to which they refer, at which time they are recognised as revenue.

#### iii. Excess internet usage

Excess broadband Internet usage and VOIP (voice over internet protocol) charges billed to subscribers are recognised as revenue over the period during which the services are provided.

#### iv. Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### (q) Share based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

## Notes to the financial statements

### 3. Critical accounting judgements and key sources of estimation uncertainty

#### Critical judgments in applying the entity's accounting policies

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of goodwill (see below)
- Negative net assets of investment & loan to subsidiary (see below)
- Subscriber acquisition costs (see below)
- Customer base intangibles (see below)
- Useful lives of property, plant & equipment
- Utilisation of tax losses

#### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### Impairment of goodwill

Determining whether goodwill is impaired requires an estimate of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit including the cash from the termination of the business and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was nil after an impairment loss of \$2,256,645 was recognised during the current financial year based on the results of the value in use calculation. Details of the impairment loss calculation are provided in note 17.

##### Negative net assets of investment & loan to subsidiary

The Company has a policy of reviewing the net assets of its subsidiary and the fair recoverable value of the investment. . In the current period, the negative net assets of the subsidiary were \$453,498 and it has been assessed that there is no fair value adjustment to these assets. The position has led to an impairment at Company level of \$608,213. Upon consolidation, this investment impairment of \$608,213 is eliminated, and an impairment loss against goodwill for \$2,586,645 for the Group arises. The loan to the subsidiary has also been fully impaired, details are in note 15.

##### Subscriber acquisition costs

Direct subscriber acquisition costs in relation to customer contracts are recognised as an asset by the Group, as the future economic benefits arising as a result of incurring these costs are expected to flow to the Group. Direct subscriber acquisition costs are those subscriber acquisition costs that are directly attributable to establishing specific supplier contracts and would not have been incurred had those contracts not been entered into.

Subscriber acquisition costs are amortised from the date of initial recognition over the period during which the future economic benefits are expected to be obtained. This period is the term of the customer contract, as customers are not expected to terminate contracts prior to the end of their contracted term. No adjustment to recorded costs or amortisation was required for the financial year.

**Notes to the financial statements**

**3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)**

Customer base intangibles

The Group has four distinguishable intangible assets in the form of customer bases purchased from third parties. All of the customer bases are being fully amortised on a reducing balance method in a manner that allocates the cost of acquisition over the expected benefit period.

The key assumptions used to assess amortisation rates are that each customer base has been assessed as an individual intangible asset; that each customer has been allocated a life cycle, and that the customers will churn over six years; that the expected life of a customer is reviewed annually and if required the amortisation rate is amended, and that the actual customer base is reviewed each reporting period against the original amortisation model and churned customers are removed from the amortisation model

Useful lives of property, plant & equipment

As described in note 2(n), the Group reviews the estimated useful lives of property, plant and equipment at the end of each financial year. No change in the estimated useful lives was required.

Utilisation of tax losses

The Company and its wholly-owned Australian entity have elected to join as members of a tax consolidated group under Australian taxation law as of 1 July 2007. Each entity in the tax consolidated Group contributed tax losses to the Group. The Group will use the losses by the available fraction of each bundle of losses transferred. The Company has assessed the ability to utilise the losses against future taxable income. The Company has estimated it will generate taxable income commencing in the next financial year and the losses will be used over the next 3-4 years.

**4. Revenue**

An analysis of the Group's revenue for the year from continuing operations is as follows:

	<u>Consolidated</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Sales revenue:				
Mobile wireless services	4,595,668	6,929,521	-	-
Fixed wireless services	3,666,764	2,173,975	3,666,764	2,173,975
	<u>8,262,432</u>	<u>9,103,496</u>	<u>3,666,764</u>	<u>2,173,975</u>
Other revenue:				
Interest from bank deposits	94,680	215,087	85,054	215,087
Interest from related party loan	-	-	275,096	141,712
	<u>94,680</u>	<u>215,087</u>	<u>360,150</u>	<u>356,799</u>
Total revenue	<u>8,357,112</u>	<u>9,318,583</u>	<u>4,026,914</u>	<u>2,530,774</u>

For more information, see note 27.

**5. Finance Costs**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Finance costs:				
Interest on convertible note	-	7,403	-	7,403

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# BigAir Group Limited

## Notes to the financial statements

### 6. Loss for the year before tax

Loss for the year includes the following expenses:

	Note	Consolidated		Company	
		2008 \$	2007 \$	2008 \$	2007 \$
Cost of sales	(i)	4,530,325	5,896,288	801,352	658,315
Depreciation of non-current assets	16	527,376	616,558	517,940	600,469
Amortisation of subscriber acquisition costs	18	244,181	112,312	210,608	86,821
Amortisation of customer bases	18	236,295	614,164	33,005	212,464
		<u>1,007,852</u>	<u>1,343,034</u>	<u>761,553</u>	<u>899,754</u>
Impairment of investment in subsidiary	14	-	-	608,213	1,591,506
Impairment of goodwill	17	2,256,645	330,000	-	-
Impairment of customer bases	18	115,848	-	-	-
Impairment of loan	15	-	-	2,703,442	-
		<u>2,372,493</u>	<u>330,000</u>	<u>3,311,655</u>	<u>1,591,506</u>
Impairment of trade Receivables (ii)	11	108,427	370,660	112,388	24,219
Impairment of inventory (iii)	12	30,203	-	-	-
Operating lease rental expenses:					
Minimum lease payments	25	108,448	122,060	105,493	122,060
Employee benefit expense:					
Post employment benefits:					
Defined contribution plan		135,934	133,076	126,732	101,391
Share-based payments:					
Equity settled share-based payments		-	104,378	-	104,378
Other employee benefits	(iv)	1,311,144	1,282,954	1,191,944	688,440
		<u>1,447,078</u>	<u>1,520,408</u>	<u>1,318,676</u>	<u>894,209</u>

(i) The cost of sales includes costs attributable to the provision of services that are sold by the Group. These costs include both fixed and variable costs.

(ii) Impairment of trade receivables is included in general administration expenses.

(iii) Impairment of inventory is included in cost of sales.

(iv) The employee benefits expense above does not include the salaries of sales and marketing staff of \$445,741 (2007: \$1,036,297) that the Group reports as part of the sales and marketing expense.

### 7. Income taxes

# BigAir Group Limited

## Notes to the financial statements

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Tax benefit comprises:</b>				
Deferred tax income in respect of the current year:	(227,652)	(506,005)	(48,651)	(314,176)
The prima facie income tax income on pre-tax accounting loss from operations reconciles to the income tax benefit in the financial statements as follows:				
Loss from operations	(2,581,216)	(2,449,152)	(3,505,274)	(2,955,599)
Income tax income calculated at 30%	(774,365)	(734,746)	(1,051,582)	(886,680)
Non-deductible amortisation of customer base	70,889	184,249	9,901	63,739
Non-deductible impairment of customer base	34,754	-	-	-
Impairment losses on goodwill that are not deductible	676,994	99,000	-	-
Impairment losses on investment that are not deductible	-	-	182,464	477,452
Impairment losses on loan to subsidiary that are not deductible	-	-	811,033	-
Other	(30,974)	(7,836)	(467)	31,313
Deferred tax assets not previously recognised as an asset	(204,950)	(46,672)	-	-
Income tax benefit	(227,652)	(506,005)	(48,651)	(314,176)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period

There was no income tax recognised directly as equity during the period.

### Deferred tax balances

Deferred tax assets arise from the following:

Tax losses	1,557,583	1,395,044	1,557,583	723,220
Temporary differences	319,634	254,521	235,835	263,025
	<u>1,877,217</u>	<u>1,649,565</u>	<u>1,793,418</u>	<u>986,245</u>

## 7. Income taxes (cont'd)

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# BigAir Group Limited

## Notes to the financial statements

Temporary differences arise from the following:

	Consolidated			
	Opening balance \$	Adjustments \$	Charged to income \$	Closing balance \$
<b>2008</b>				
Tax losses – revenue	1,395,044	-	162,539	1,557,583
Provisions	100,928	-	(24,657)	76,271
Accruals/income in advance	16,890	204,950	(41,972)	179,868
IPO raising costs	224,975	-	(93,642)	131,333
Capitalised subscriber acquisition costs	(55,986)	-	20,434	(35,552)
Customer base	(32,286)	-	-	(32,286)
	<u>1,649,565</u>	<u>204,950</u>	<u>22,702</u>	<u>1,877,217</u>

Presented in the balance sheet as follows:

Deferred tax asset	<u>1,877,217</u>
--------------------	------------------

	Consolidated			
	Opening balance \$	Adjustments \$	Charged to income \$	Closing balance \$
<b>2007</b>				
Tax losses – revenue	667,419	160,239	567,386	1,395,044
Provisions	46,227	-	54,701	100,928
Accruals/income in advance	196,638	(160,239)	(19,509)	16,890
IPO raising costs	300,020	-	(75,045)	224,975
Capitalised subscriber acquisition costs	-	-	(55,986)	(55,986)
Customer base	(66,744)	-	34,458	(32,286)
	<u>1,143,560</u>	<u>-</u>	<u>506,005</u>	<u>1,649,565</u>

Presented in the balance sheet as follows:

Deferred tax asset	<u>1,649,565</u>
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**Notes to the financial statements**

**7. Income taxes (cont'd)**

	Company			
	Opening balance	Adjustments	Charged to income	Closing balance
<b>2008</b>	\$	\$	\$	\$
Tax losses - revenue	723,220	758,522	75,841	1,557,583
Provisions	26,874	-	14,866	41,740
Accruals	58,318	-	37,042	95,360
IPO raising costs	224,975	-	(93,642)	131,333
Capitalised subscriber acquisition costs	(47,142)	-	14,544	(32,598)
	<u>986,245</u>	<u>758,522</u>	<u>48,651</u>	<u>1,793,418</u>

Presented in the balance sheet as follows:

Deferred tax asset	<u>1,793,418</u>
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A deferred tax asset of \$2,703,444 relating to the impairment is the investment in Veritel is available, but has not been brought to account as its realisation is not probable.

	Company			
	Opening balance	Adjustments	Charged to income	Closing balance
<b>2007</b>	\$	\$	\$	\$
Tax losses - revenue	319,546	-	403,674	723,220
Provisions	23,141	-	3,733	26,874
Accruals	29,362	-	28,956	58,318
IPO raising costs	300,020	-	(75,045)	224,975
Capitalised subscriber acquisition costs	-	-	(47,142)	(47,142)
	<u>672,069</u>	<u>-</u>	<u>314,176</u>	<u>986,245</u>

Presented in the balance sheet as follows:

Deferred tax asset	<u>986,245</u>
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The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. The entity has recorded a loss in the current period in the tax jurisdiction to which the deferred tax asset relates. Financial analysis by the Group supports the recognition of this asset. There are no unrecognised deferred tax balances as at 30 June 2008.

**Tax consolidation**

The Company and its wholly-owned Australian entity have elected to join as members of a tax consolidated group under Australian taxation law as of 1 July 2007. Each entity in the tax consolidated Group contributed tax losses to the Group. The Group will use the losses by the available fraction of each bundle of losses transferred. The Company has assessed the ability to utilise the losses against future taxable income. The Company has estimated it will generate taxable income commencing in the next financial year and the losses will be used over the next 3-4 years.

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**Notes to the financial statements**

**8. Key management personnel compensation**

**Details of key management personnel**

The key management personnel of BigAir Group Limited during the year were:

Danny Herceg (Chairman, non-executive independent director) – appointed 27 July 2007, resigned 18 July 2008

Ray Catelan (non-executive director) – appointed 27 July 2007, resigned 11 January 2008

Ross McColl (non-executive director) – appointed 11 January 2008, resigned 30 June 2008

Nigel Jeffries (non-executive director)

Jason Ashton (director, Chief Executive Officer)

Patrick Choi (director, Chief Financial Officer, Company Secretary)

Vivian Stewart (non-executive director) – appointed 11 June 2008

Anthony Tobin (Chairman, non-executive independent director) – resigned 27 July 2007

Shane Allan (non-executive independent director) – resigned 27 July 2007

Anne Lenagan (non-executive independent director) – resigned 27 July 2007

Matt McGuire (National Sales and Marketing Manager) – resigned 16 November 2007

**Key management personnel compensation policy**

During the year, the board of directors has operated a Remuneration and Nomination Committee to review the remuneration packages of all directors, the secretary and executive officers on an annual basis and to make recommendations to the board of directors. Subsequent to year end, the Board, excluding executive directors, has adopted the function of the Remuneration and Nomination Committee. Remuneration packages are determined with market rates and are benchmarked against comparable industry salaries.

Current year remuneration was based on a number of short term and long term components of the Company's general performance and the creation of shareholder value. The executives are eligible for performance-related bonuses, related to performance against the Board-approved budget.

**Key management personnel compensation**

The compensation of each member of the key management personnel of the Group for the current year is set out below:

2008 Remuneration	Short-term Employment Benefits		Post employment benefits – Superannuation \$	Total \$
	Salary & Fees \$	Cash Performance Bonus \$		
Anthony Tobin	5,080	-	457	5,537
Shane Allan	3,629	-	327	3,956
Anne Lenagan	3,266	-	294	3,560
Nigel Jeffries	20,000	-	1,800	21,800
Jason Ashton	129,000	13,500	12,825	155,325
Patrick Choi	129,000	13,500	12,825	155,325
Vivian Stewart	1,056	-	95	1,151
Danny Herceg	36,302	-	3,267	39,569
Ray Catelan	10,591	-	953	11,544
Ross McColl	10,000	-	900	10,900
Matt McGuire	69,070	-	6,216	75,286
Total	416,994	27,000	39,959	483,953

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**Notes to the financial statements**

**8. Key management personnel compensation (cont'd)**

2007 Remuneration	Short term employment benefits Salary & Fees \$	Post employment benefits – Superannuation \$	Share Based Payment - Equity Options \$	Total \$
Anthony Tobin	-	70,000	9,901	79,901
Shane Allan	-	50,000	9,901	59,901
Anne Lenagan	-	45,000	9,901	54,901
Nigel Jeffries	-	45,000	-	45,000
Jason Ashton	120,000	10,800	27,155	157,955
Patrick Choi	120,000	10,800	27,155	157,955
Ivan Hurwitz	124,000	4,860	(6,790)	122,070
David Keane	21,000	-	27,155	48,155
Matt McGuire	157,658	14,189	-	171,847
<b>Total</b>	<b>542,658</b>	<b>250,649</b>	<b>104,378</b>	<b>897,685</b>

The aggregate remuneration of the key management personnel of the Group and the Company is set out below:

	Consolidated	
	2008	2007
	\$	\$
Short term employment benefits	443,994	542,658
Post-employment benefits	39,959	250,649
Share-based payment	-	104,378
	<u>483,953</u>	<u>897,685</u>

**Contracts for services of key management personnel**

Under the Company constitution, one-third of the non-executive directors stand for re-election at each annual general meeting.

The executives have in place standard contracts with the Company which allow either party to give three months notice to terminate the contract of employment. No termination payments have been provided for under these contracts.

**9. Share-based payments**

The Company has two ownership-based remuneration schemes for directors and employees and has also issued options to advisors. The following sets out the rules for the employees and director and executives schemes, and summarises options issued to advisors.

**a) Employees' Option Scheme**

The Employees' Option Scheme entitles the directors to offer employees of the Company (or any other member of the Group) options to subscribe for shares in the Company at an exercise price being not less than the higher of the amount prescribed in the Listing Rules or the volume weighted average price of the shares in the Company trading on the ASX over the five trading days immediately prior to the date of offer.

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**Notes to the financial statements**

**9. Share-based payments (cont'd)**

Options are offered to employees at the discretion of the board of directors from time to time following recommendations from the remuneration and nomination committee made on the basis of employee performance.

The number of shares over which the options relate must not exceed 5% of the then total number of issued shares of the Company. The offer of options may be accepted by the employee or an associate of the employee being a close relative or a Company controlled by the employee. Under the Employees' Option Scheme, there are various limits on the exercise of the options if the employee ceases to be an employee of the Company or a member of the Group, dies, becomes totally and permanently disabled, retires, ceases to be an eligible person, fails to comply in a material respect with the terms and conditions of the Employees' Option Scheme or becomes an insolvent under administration. Subject to these qualifications, options may be exercised at any time from the date of their vesting to the date of their expiry.

The options carry no rights to dividends and no voting rights.

The Employees' Option Scheme may be amended by the Company in a general meeting.

No share options have been issued to any employees under the employee option plan during the current or previous financial years. There are no outstanding share options to employees at the balance sheet date.

**b) Director and Executives Option Scheme & options issued to advisors**

The following share-based payment arrangements were in existence during the period:

<b>Option Series</b>	<b>Number</b>	<b>Grant Date</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Fair Value at Grant Date</b>
Series 1 <sup>(i)</sup>	450,000	15 April 2005	15 July 2008	40 cents	\$18,564
Series 2	2,160,000	15 July 2005	15 July 2008	40 cents	\$89,106
Series 3	7,680,000	3 April 2006	3 April 2011	40 cents	\$543,092
Series 4 <sup>(ii)</sup>	720,000	3 April 2006	3 April 2009	40 cents	\$29,702
Series 5 <sup>(iii)</sup>	800,000	27 July 2007	30 June 2008	11.3 cents	\$41,586

- (i) Issued to advisor to Initial Public Offering
- (ii) Issued to broker to Initial Public Offering
  - (i) Issued to National Sales Manager.

**c) Director and Executives Option Scheme**

The board may, at its discretion and in accordance with the Company's constitution, the Corporations Act 2001 and the ASX Listing Rules and subject to shareholder approval, issue options to directors and executives to subscribe for shares on terms and conditions as determined by the board from time to time, based upon performance.

Directors and executives have been issued options to subscribe for ordinary shares in the capital of the Company. Those options have certain conditions including staged vesting rights and continued involvement of directors and executives with the Company for specified periods of time.

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**Notes to the financial statements**

**9. Share-based payments (cont'd)**

The options carry no rights to dividends and no voting rights.

<b>Director and executives options</b>	<b>2008 Number</b>	<b>2007 Number</b>
Balance at beginning of the financial year	7,920,000	9,840,000
Granted during the financial year (Series 5)	800,000	-
Cancelled or expired during the financial year	(800,000)	(1,920,000)
Balance at end of the financial year	7,920,000	7,920,000

All current options granted to key management personnel have market conditions criteria which must be met before vesting. All options will vest if the share price of BigAir is at or above 40 cents for 30 consecutive trading days.

**Options Valuation Model – Key Assumptions**

- (i) options are granted for no consideration;
- (ii) expected price volatility of the Company is estimated by using other comparable companies listed on ASX which ranges from 30% to 70%;
- (iii) expected dividend yield: 0%;
- (iv) risk-free interest rate is based on relevant indicative yield applicable to Commonwealth Treasury fixed coupon bond of the similar maturing dates; and
- (v) other details of the inputs are show in the table below.

<b>Inputs into the model</b>	<b>Directors and Executives</b>
Grant date share price	\$0.25
Exercise price	\$0.40
Volatility	40%
Option life from grant date	3 and 5 years
Dividend yield	0
Risk-free interest rate	5.6%

**d) Options issued to advisors**

The Company has issued options as consideration for services provided in connection with the Initial Public Offering of the Company. The options carry no dividend or voting rights.

<b>Options issued to advisors</b>	<b>2008 Number</b>	<b>2007 Number</b>
Balance at beginning and end of the financial year (Series 1 and 4)	1,170,000	1,170,000

All current options granted to advisors have performance criteria which must be met before vesting. All options will vest if the share price of BigAir is at or above 40 cents for 30 consecutive trading days.

The key assumptions of the options model for options issued to advisors are consistent with the key assumptions for the Directors and Executives Share Option Scheme.

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# BigAir Group Limited

## Notes to the financial statements

### 10. Remuneration of auditor

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Auditor of the parent entity:				
Audit of the financial report	70,350	75,000	59,798	52,340
Review of half-year financial report	28,000	37,000	23,800	25,910
	<u>98,350</u>	<u>112,000</u>	<u>83,598</u>	<u>78,250</u>

The auditor of BigAir Group Limited is Deloitte Touche Tohmatsu. There was no other remuneration paid or payable to the auditor in respect of the financial year.

### 11. Trade and other receivables

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade receivables (i)	450,891	793,377	254,501	310,227
Allowance for doubtful debts	(182,083)	(254,107)	(66,981)	(25,000)
	<u>268,808</u>	<u>539,270</u>	<u>187,520</u>	<u>285,227</u>
Goods and Service Tax (GST) recoverable	-	-	-	23,766
Sundry debtors	<u>11,556</u>	<u>8,166</u>	<u>11,556</u>	<u>7,521</u>
	<u>280,364</u>	<u>547,436</u>	<u>199,076</u>	<u>316,514</u>

- (i) The average credit period for corporate clients on rendering of services is 13 days. No interest is charged on outstanding amounts. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods and rendering of services, determined by reference to past default experience.

Before accepting new customers with monthly recurring charges greater than \$500 that pay by invoice, an ASIC search and two reference checks are performed. Of the trade receivables balance at the end of the year, \$18,104 (2007: \$11,098) is due from Unistar Pty Ltd, the Group's largest customer. There are no other customers who represent more than 5 % of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of \$29,879 (2007: \$180,545) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 182 days (2007 nil).

### 11. Trade and other receivables (cont'd)

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# BigAir Group Limited

## Notes to the financial statements

### Ageing of past due but not impaired

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
60 - 90 days	4,597	49,062	1,255	27,321
90 + days	25,282	131,483	6,988	91,733
	<u>29,879</u>	<u>180,545</u>	<u>8,243</u>	<u>119,054</u>

### Movement in the allowance for doubtful debts

Balance at the beginning of the year	(254,107)	(111,727)	(25,000)	(50,000)
Impairment losses recognised on receivables (i)	(262,387)	(370,660)	(112,388)	(24,219)
Amounts written off as uncollectable	268,449	228,280	104,098	49,219
Amounts recovered during the year	(87,998)	-	(33,691)	-
Impairment losses reversed(i)	153,960	-	-	-
Balance at the end of the year	<u>(182,083)</u>	<u>(254,107)</u>	<u>(66,981)</u>	<u>(25,000)</u>

(i) Net amount of trade receivables impaired for 2008 is \$108,427.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of \$6,449 (2007: \$5,411) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

### Ageing of impaired trade receivables

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
Current	5,560	-	2,445	-
30-60 days	8,560	-	1,762	-
60- 90 days	13,831	40,000	2,594	-
Over 90 days	154,132	214,107	60,180	25,000
	<u>182,083</u>	<u>254,107</u>	<u>66,981</u>	<u>25,000</u>

## 12. Inventories

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# BigAir Group Limited

## Notes to the financial statements

Finished goods	7,262	56,755	-	-
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Finished goods as at the end of 30 June 2008 is shown net of an impairment of \$30,203.

### 13. Other assets

Prepayments	119,979	192,294	20,980	37,326
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### 14. Other financial assets

#### Investments carried at cost

##### Non-current

Shares in subsidiary	-	-	2,199,719	2,199,719
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#### Accumulated impairment losses

Balance at beginning of financial year	-	-	(1,591,506)	-
Impairment losses for the year (i)	-	-	(608,213)	(1,591,506)
Balance at end of financial year	-	-	(2,199,719)	(1,591,506)

#### Net book value

At the beginning of the financial year	-	-	608,213	2,199,719
At the end of the financial year	-	-	-	608,213

- (i) In the current period, the negative net assets of the subsidiary and the declining profitability of the business conducted by the subsidiary have led to impairment at Company level of \$608,213 (2007: \$1,591,506). Upon consolidation, this investment impairment of \$2,199,719 is eliminated, and an impairment loss against goodwill for \$2,256,645 for the Group arises (see note 17).

### 15. Non-current trade and other receivables

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Gross receivable before impairment</b>				
Rental deposits	34,827	33,127	34,827	33,127
Interest bearing loan to subsidiary	-	-	2,703,442	1,591,506
	34,827	33,127	2,738,269	1,624,633

### 15. Non-current trade and other receivables (cont'd)

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**Notes to the financial statements**

**Accumulated impairment losses**

Balance at beginning of financial year	-	-	-	-
Impairment loss for the year (i)	-	-	(2,703,442)	-
Balance at end of financial year	-	-	(2,703,442)	-

**Net book value**

At the beginning of the financial year	34,827	33,217	1,624,633	1,624,633
At the end of the financial year	34,827	33,127	34,827	1,624,633

- (i) The intercompany loan receivable is repayable on demand and interest is charged on the outstanding balance at market rates. It has been fully impaired in the accounts of the holding Company in 2008.

Receivables from entities within the wholly-owned Group arise in the course of normal operations.

**16. Property, plant and equipment**

	Consolidated		
	Broadband infrastructure at cost \$	Office furniture and fittings and equipment at cost \$	Total \$
<b>Gross carrying amount</b>			
Balance at 30 June 2006	1,410,633	155,197	1,565,830
Additions	884,674	145,779	1,030,453
Balance at 30 June 2007	2,295,307	300,976	2,596,283
Additions	996,722	12,931	1,009,653
Cost at 30 June 2008	3,292,029	313,907	3,605,936
<b>Accumulated depreciation</b>			
Balance at 30 June 2006	(558,045)	(83,710)	(641,755)
Depreciation expense	(569,874)	(46,684)	(616,558)
Balance at 30 June 2007	(1,127,919)	(130,394)	(1,258,313)
Depreciation expense	(481,661)	(45,715)	(527,376)
Balance at 30 June 2008	(1,609,580)	(176,109)	(1,785,689)
<b>Net book value</b>			
As at 30 June 2007	1,167,388	170,582	1,337,970
As at 30 June 2008	1,682,449	137,798	1,820,247

**16. Property, plant and equipment (cont'd)**

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Notes to the financial statements

	Company		
	Broadband infrastructure at cost \$	Office furniture and fittings and equipment at cost \$	Total \$
<b>Gross carrying amount</b>			
Balance at 30 June 2006	1,410,633	93,250	1,503,883
Additions	884,674	145,779	1,030,453
Balance at 30 June 2007	2,295,307	239,029	2,534,336
Additions	996,703	12,830	1,009,533
Balance at 30 June 2008	3,292,010	251,859	3,543,869
<b>Accumulated depreciation</b>			
Balance at 30 June 2006	(558,045)	(71,483)	(629,528)
Depreciation expense	(569,874)	(30,595)	(600,469)
Balance at 1 July 2007	(1,127,919)	(102,078)	(1,229,997)
Depreciation expense	(481,661)	(36,279)	(517,940)
Balance at 30 June 2008	(1,609,580)	(138,357)	(1,747,937)
<b>Net book value</b>			
As at 30 June 2007	1,167,388	136,951	1,304,339
As at 30 June 2008	1,682,430	113,502	1,795,932

During the period, the Group carried out a review of the recoverable amount of its plant and equipment. There was no evidence of impairment loss arising from this review.

There was no depreciation during the period that was capitalised as part of the cost of other assets.

17. Goodwill

	Consolidated		Company	
	2008 \$	2007 \$	2008 \$	2007 \$
<b>Gross carrying amount</b>				
Balance at beginning and end of financial year	2,586,645	2,586,645	-	-
<b>Accumulated impairment losses</b>				
Balance at beginning of financial year	(330,000)	-	-	-
Impairment losses for the year (i)	(2,256,645)	(330,000)	-	-
Balance at end of financial year	(2,586,645)	(330,000)	-	-
<b>Net book value</b>				
At the beginning of the financial year	2,256,645	2,256,645	-	-
At the end of the financial year	-	2,256,645	-	-

17. Goodwill (cont'd)

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**Notes to the financial statements**

(i) During the financial year, the Group reassessed the recoverable amount of goodwill, and determined that the goodwill associated with the Group's mobile wireless operation was impaired by \$2,256,645 (2007: \$330,000). The recoverable amount of the mobile wireless operation was assessed by reference to the cash-generating unit's value in use. A Weighted Average Cost of Capital (WACC) factor of 20% p.a. (2007: 16%) was applied in the value-in-use model.

The key assumptions used to determine the impairment loss in respect of goodwill associated with the Veritel cash-generating unit were:

- a fall of 2.5% (2007: fall of 1%) in the gross margin;
- a revenue decline of 59% (2007: no annual revenue growth) ; and
- an increase of 4% (2007: a decrease of 4%) in the WACC rate.

The main factor contributing to the impairment of the cash-generating unit was the increase in competition and a growing focus on the fixed wireless business.

**Allocation of goodwill to cash-generating units**

Goodwill has been allocated for impairment testing purposes to one cash-generating unit being the business of Veritel Australia Pty Limited. Goodwill arose on acquisition of the business in 2005.

**18. Other intangible assets**

	Consolidated		Total
	Subscriber acquisition costs \$	Customer bases \$	
<b>Gross carrying amount</b>			
<b>Balance at 30 June 2006</b>	-	1,492,880	1,492,880
Additions	-	434	434
Additions from internal development	298,931	-	298,931
<b>Balance at 30 June 2007</b>	298,931	1,493,314	1,792,245
Additions from internal development	176,069	-	176,069
<b>Balance at 30 June 2008</b>	475,000	1,493,314	1,968,314
<b>Accumulated amortisation</b>			
<b>Balance at 30 June 2006</b>	-	(483,240)	(483,240)
Amortisation expense for the year (i)	(112,312)	(614,164)	(726,476)
<b>Balance at 30 June 2007</b>	(112,312)	(1,097,404)	(1,209,716)
Amortisation expense for the year (i)	(244,181)	(236,295)	(480,476)
Impairment expense for the year (i)	-	(115,848)	(115,848)
<b>Balance at 30 June 2008</b>	(356,493)	(1,449,547)	(1,806,040)
<b>Net book value</b>			
As at 30 June 2007	186,619	395,910	582,529
As at 30 June 2008	118,507	43,767	162,274

**18. Other intangible assets (cont'd)**

Company

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Notes to the financial statements

	Subscriber acquisition costs \$	Customer bases \$	Total \$
<b>Gross carrying amount</b>			
<b>Balance at 30 June 2006</b>	-	482,000	482,000
Additions		434	434
Additions from internal development	243,963	-	243,963
Disposals		(188,250)	(188,250)
<b>Balance at 1 July 2007</b>	243,963	294,184	538,147
Additions	162,128	-	162,128
<b>Balance at 30 June 2008</b>	406,091	294,184	700,275
<b>Accumulated amortisation</b>			
<b>Balance at 1 July 2006</b>	-	(4,947)	(4,947)
Amortisation expense for the year (i)	(86,821)	(299,104)	(385,925)
Disposals	-	86,640	86,640
<b>Balance at 30 June 2007</b>	(86,821)	(217,411)	(304,232)
Amortisation expense for the year (i)	(210,608)	(33,005)	(243,613)
<b>Balance at 30 June 2008</b>	(297,429)	(250,416)	(547,845)
<b>Net book value</b>			
As at 30 June 2007	157,142	76,773	233,915
As at 30 June 2008	108,662	43,768	152,430

- (i) Amortisation expense is included in the line item depreciation and amortisation expense in the income statement. Impairment is separately disclosed in the income statement.
- (ii) The following useful lives are used in the calculation of amortisation:
- Subscriber acquisition costs 1-2 years
  - Customer bases 6 years

**Significant intangible assets**

*Customer bases*

There are four distinguishable intangible assets in the form of customer bases identified and accounted for. The Veritel customer base is a separately identified asset acquired on 1 July 2005 as part of the Veritel business combination. The Ozemail customer base was acquired by a subsidiary from iiNet during October 2005. The T3 customer was acquired by the Company from T3/Pacific Internet on 7 June 2006. WHome customer base was acquired by the Company from Skynet Global on 30 June 2006. All of the customer bases will be fully amortised on a reducing balance method in a manner that allocates the cost of acquisition over the expected benefit period.

*Subscriber acquisition costs*

Subscriber acquisition costs in relation to customer contracts are recognised as an asset where it is probable that the future economic benefits arising as a result of the costs incurred will flow to the Company. Subscriber acquisition costs are amortised over the lesser of the period of the contract (1-2 years) and the period during which the future economic benefits are expected to be obtained. Customers are not expected to terminate contracts prior to the end of their contracted term.

**18. Other intangible assets (cont'd)**

**Key assumptions**

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**Notes to the financial statements**

The key assumptions used to assess amortisation rates are as follows:

*Customer bases*

- each customer base has been assessed as an individual intangible asset;
- the customers will churn over the next six years;
- each customer has been allocated a life cycle;
- the actual customer base is reviewed each reporting period against the original amortisation model and churned customers are removed from the amortisation model; and
- the expected life of a customer is reviewed annually and if required the amortisation rate is amended.

**19. Trade and other payables**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade payables (i)	945,905	1,925,767	400,541	494,600
Sundry creditors	63,540	107,903	63,540	91,026
Accruals	328,387	232,544	306,886	222,544
Goods and services tax (GST) payable	63,139	6,045	63,139	-
Payable to wholly-owned subsidiary	-	-	758,522	-
	1,400,971	2,272,259	1,592,628	808,170

(i) The average credit period on suppliers is 73 days (2007: 75 days). No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within a reasonable timeframe or where there are disputes within the timeframe agreed by the disputing parties.

**20. Income received in advance**

Income received in advance from customers	297,644	525,678	37,449	-
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**21. Provisions**

<u>Current</u>				
Employee benefits	72,151	82,318	72,151	64,578

The Group expects all accrued annual leave entitlements to be taken within the next 12 months.

**22. Issued capital**

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# BigAir Group Limited

## Notes to the financial statements

	Consolidated and Company			
	2008		2007	
	No.	\$	No.	\$
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial year	86,284,714	10,543,251	83,522,000	10,221,568
Issue of shares to advisors in relation to public offering	-	-	2,762,714	309,945
Transfer from reserves (option premium on convertible notes)	-	-	-	22,513
Share issue costs	-	-	-	(10,775)
Balance at end of financial year	<u>86,284,714</u>	<u>10,543,251</u>	<u>86,284,714</u>	<u>10,543,251</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Share options granted under the Director and Executives Option Scheme are contained in note 8.

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**Notes to the financial statements**

**23. Reserves**

	<u>Consolidated</u>		<u>Company</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	\$	\$	\$	\$
Option premium on convertible notes	-	-	-	-
Employee equity-settled benefits	161,237	161,237	161,237	161,237
	<u>161,237</u>	<u>161,237</u>	<u>161,237</u>	<u>161,237</u>

**Option premium on convertible notes**

Balance at beginning of financial year	-	22,513	-	22,513
Transfer to fully paid ordinary shares (convertible notes settled)	-	(22,513)	-	(22,513)
Balance at end of financial year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The convertible notes were repaid in July 2006 for their face value of \$250,000.

**Employee equity settled benefits reserve**

Balance at beginning of financial year	161,237	56,859	161,237	56,859
Share-based payments	-	104,378	-	104,378
Balance at end of financial year	<u>161,237</u>	<u>161,237</u>	<u>161,237</u>	<u>161,237</u>

Further information about share-based payments to employees is made in notes 8 and 9 to the financial statements.

**Share options**

During the financial year, 800,000 share options (2007: nil) over ordinary shares were issued to senior management personnel. These share options were also cancelled during the financial year.

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**Notes to the financial statements**

**24. Earnings per share**

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>Cents per share</b>	<b>Cents per share</b>
Basic loss per share from continuing operations	(2.7)	(2.3)
Diluted loss per share from continuing operations	(2.7)	(2.3)

**Basic and diluted loss per share**

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share are as follows:

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Loss for the period attributable to ordinary equity holders of the parent entity	(2,353,564)	(1,943,147)

	<b>Consolidated</b>	
	<b>2008</b>	<b>2007</b>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share.	86,284,714	85,292,007

The incremental shares from assumed exercise of share options are not included in calculating diluted earnings per share as their conversion is anti dilutive.

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# BigAir Group Limited

## Notes to the financial statements

### 25. Leases

Consolidated		Company	
2008	2007	2008	2007
\$	\$	\$	\$

#### Leasing arrangements

The Group has a commitment in respect of one non-cancellable lease.

The Group has a non-cancellable lease over premises located in Sydney. This lease expires on 14 June 2010, with an option to extend for a further three years. The Group does not have an option to purchase the premises at the end of the expiry period.

#### Non-cancellable operating lease commitments

Not longer than 1 year	122,060	122,060	122,060	122,060
Longer than 1 year and not longer than 5 years	146,952	269,012	146,952	269,012
	<u>269,012</u>	<u>391,072</u>	<u>269,012</u>	<u>391,072</u>

The Group does not have any lease commitments longer than 5 years.

No liabilities have been recognised in relation to this operating lease.

### 26. Subsidiaries

	Country of incorporation	Ownership interest	
		2008 %	2007 %
<b>Parent entity</b>			
BigAir Group Limited	Australia		
<b>Subsidiary</b>			
Veritel Australia Pty Limited	Australia	100	100

(i) The Company and its wholly-owned Australian entity are not currently members of a tax consolidated group under Australian taxation law as of 30 June 2008, however they do intend to form a tax consolidated group effective 1 July 2007.

(ii) The subsidiary has a financial year-end date of 30 June.

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**Notes to the financial statements**

**27. Business and geographical segments**

**Information on business segments**

The Group is organised into two operating divisions – mobile wireless division and fixed wireless division. These divisions are the basis of which the Group reports its primary segment information. The principal products and services of each of these divisions are as follows:

- Mobile wireless division sells mobile wireless broadband services based on the wholesale networks of Personal Broadband Australia (“iBurst”) and Unwired; and
- Fixed wireless division sells fixed wireless broadband services to corporate and residential markets utilising its own infrastructure and channel partners.

The Group operates in one geographical area being in Australia.

The Group did not undertake any new operations and it did not discontinue any of its existing operations during the year.

<u>Segment revenues</u>	<b>External Sales</b>	
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Mobile wireless division	4,595,668	6,929,521
Fixed wireless division	3,666,764	2,173,975
<b>Total</b>	<b>8,262,432</b>	<b>9,103,496</b>
<u>Segment results</u>	<b>2008</b>	
	<b>\$</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Mobile wireless division	(1,838,514)	(1,292,743)
Fixed wireless division	(55,429)	(415,060)
<b>Total of all segments</b>	<b>(1,893,943)</b>	<b>(1,707,803)</b>
Interest revenue	94,680	215,087
Finance costs	-	(7,403)
Head office costs	(781,953)	(949,033)
<b>Loss before income tax</b>	<b>(2,581,216)</b>	<b>(2,449,152)</b>
Income tax benefit	227,652	506,005
<b>Loss for the year</b>	<b>(2,353,564)</b>	<b>(1,943,147)</b>

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# BigAir Group Limited

## Notes to the financial statements

### 27. Business and geographical segments (cont'd)

	Assets 2008 \$	Liabilities 2008 \$	Assets 2007 \$	Liabilities 2007 \$
<b>Segment assets and liabilities</b>				
Mobile wireless service	883,825	68,538	1,719,735	2,007,507
Fixed wireless service	5,080,590	1,702,228	7,707,733	872,748
<b>Total</b>	<b>5,964,415</b>	<b>1,770,766</b>	<b>9,427,468</b>	<b>2,880,255</b>
		<b>Mobile wireless \$</b>	<b>Fixed wireless \$</b>	<b>Total \$</b>
<b>Other segment information</b>				
<b>2008</b>				
Acquisition of segment assets		13,941	1,171,661	1,185,602
Depreciation of segment assets		9,436	517,940	527,376
Amortisation of segment intangible assets		236,864	243,612	480,476
<b>2007</b>				
Acquisition of segment assets		161,579	1,274,416	1,435,995
Depreciation of segment assets		16,089	600,469	616,558
Amortisation of segment intangible assets		752,243	304,233	1,056,476

### 28. Related party transactions

#### (a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 26 to the financial statements.

#### (b) Key management personnel compensation

Details of specified key management personnel remuneration are disclosed in the remuneration report of the financial statements and in Note 8.

# BigAir Group Limited

## Notes to the financial statements

### 28. Related party transactions (cont'd)

#### (c) Key management personnel equity holdings

##### Fully paid ordinary shares of BigAir Group Limited

	Balance at 1 July	Granted as remunera- tion	Received on exercise of options	Ordinary shares acquired	Net other change	Balance at 30 June
	No.	No.	No.	No.	No.	No.
<b>2008</b>						
Nigel Jeffries	8,000,000	-	-	-	-	8,000,000
Jason Ashton	9,579,718	-	-	-	-	9,579,718
Patrick Choi	6,482,411	-	-	-	-	6,482,411
	<u>24,062,129</u>	-	-	-	-	<u>24,062,129</u>
<b>2007</b>						
Anthony Tobin	144,000	-	-	-	-	144,000
Shane Allan	-	-	-	-	-	-
Anne Lenagan	100,000	-	-	-	-	100,000
Nigel Jeffries	8,000,000	-	-	-	-	8,000,000
Jason Ashton	9,579,718	-	-	-	-	9,579,718
Ivan Hurwitz	6,416,256	-	-	-	-	6,416,256
Patrick Choi	6,482,411	-	-	-	-	6,482,411
David Keane	3,691,787	-	-	-	-	3,691,787
	<u>34,414,172</u>	-	-	-	-	<u>34,414,172</u>

##### Executive share options of BigAir Group Limited

	Balance at 1 July	Received as remun- eration	Exercise d of options	Net other change No.	Balance at 30 June	Balance vested at 30 June	Vested but not exercis- able No.	Vested and exercise- able No.	Options vested during year No.
	No.	No.	No.	No.	No.	No.	No.	No.	No.
<b>2008</b>									
Anthony Tobin	720,000	-	-	-	720,000	-	-	-	-
Shane Allan	720,000	-	-	-	720,000	-	-	-	-
Anne Lenagan	720,000	-	-	-	720,000	-	-	-	-
Jason Ashton	1,920,000	-	-	-	1,920,000	-	-	-	-
Patrick Choi	1,920,000	-	-	-	1,920,000	-	-	-	-
David Keane	1,920,000	-	-	-	1,920,000	-	-	-	-
Matt McGuire	-	800,000	-	(800,000)	-	-	-	-	-
	<u>7,920,000</u>	-	-	-	<u>7,920,000</u>	-	-	-	-

**Notes to the financial statements**

**28. Related party transactions (cont'd)**

	Balance at 1 July	Received as remun- eration	Exercise d of options	Net other change	Balance at 30 June	Balance vested at 30 June	Vested but not exercis- able	Vested and exercis- able	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
<b>2007</b>									
Anthony Tobin	720,000	-	-	-	720,000	-	-	-	-
Shane Allan	720,000	-	-	-	720,000	-	-	-	-
Anne Lenagan	720,000	-	-	-	720,000	-	-	-	-
Jason Ashton	1,920,000	-	-	-	1,920,000	-	-	-	-
Ivan Hurwitz	1,920,000	-	-	(1,920,000)	-	-	-	-	-
Patrick Choi	1,920,000	-	-	-	1,920,000	-	-	-	-
David Keane	1,920,000	-	-	-	1,920,000	-	-	-	-
	<u>9,840,000</u>	<u>-</u>	<u>-</u>	<u>(1,920,000)</u>	<u>7,920,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

All share options issues to key management personnel were made in accordance with the Company's Constitution. During the financial year, no options were exercised by key management personnel. Further details of the executive share option plan and of share options granted during the financial year is contained in note 8 to the financial statements.

**(e) Transactions with other related parties**

**Transactions between BigAir Group Limited (the Company) and its related parties**

During the financial year, the following transactions occurred between the Company and its other related parties:

- BigAir Group Limited transferred overhead charges it had incurred on behalf of its subsidiary totalling \$143,140 to its subsidiary.
- BigAir Group Limited received interest income of \$275,096 from its subsidiaries on its intercompany loan receivable.
- Non-executive director Ross McColl received \$48,906 for consulting services provided separately from his directors fees during the year.

The following balance arises from transactions between the Company and its other related parties at reporting date:

- BigAir Group Limited held an intercompany loan of \$2,703,442 due from its subsidiary. This loan was fully impaired as at 30 June 2008.

All amounts advanced to or payable to related parties are unsecured and are subordinate to other liabilities. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties, however the intercompany loan noted above has been fully impaired.

Transactions and balances between the Company and its subsidiaries were eliminated in the preparation of consolidated financial statements of the Group.

**29. Notes to the cash flow statement**

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**Notes to the financial statements**

**(a) Reconciliation of cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash and cash equivalents	<u>1,662,245</u>	<u>2,771,147</u>	<u>1,083,927</u>	<u>2,596,548</u>

**(b) Non-cash financing and investing activities**

The Group did not have any non-cash financing and investing activities during the year.

**(c) Financing Facilities**

During the current financial year, the Group did not have any used or unused loan facilities.

**(d) Cash balances not available for use**

During the current financial year, there were no significant cash and cash equivalent balances that were not available for use.

**(e) Reconciliation of loss for the period to net cash flows from operating activities**

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Loss for the year	(2,353,564)	(1,943,147)	(3,456,623)	(2,641,423)
Depreciation of non-current assets	527,376	616,558	517,940	600,469
Amortisation of non-current assets	480,476	726,476	243,613	299,105
Impairment of non-current assets	2,372,493	330,000	3,311,655	1,591,506
Equity settled share-based payment	-	104,378	-	104,378
Increase in deferred tax balances	(227,652)	(506,005)	(807,173)	(314,176)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
Decrease/(increase) in assets:				
Current receivables and rental deposits	265,372	22,878	115,738	(18,479)
Current inventories	49,493	(18,713)	-	-
Other current assets	72,315	35,311	16,346	33,279
(Decrease)/increase in liabilities:				
Trade and other payables	(871,288)	96,082	784,458	93,879
Other current liabilities	(238,201)	39,958	45,022	37,262
Cash flows from/(used in) operations	<u>76,820</u>	<u>(496,224)</u>	<u>770,976</u>	<u>(213,840)</u>

**30. Financial instruments**

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**Notes to the financial statements**

**(a) Capital risk management**

The Group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and accumulated losses as disclosed in notes 22 and 23 respectively.

The Group operates in Australia. None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to meet operating expenses and invest in plant and equipment. The Group's policy is currently to not to borrow to meet operating requirements.

The Gearing ratio is 0%, as the group does not have any borrowings.

**(b) Categories of financial instruments**

	<b>Consolidated</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	\$	\$	\$	\$
<b>Financial assets</b>				
Trade and other receivables	315,191	580,563	233,903	1,941,147
Cash and cash equivalents	1,662,245	2,771,147	1,083,927	2,596,548
	<u>1,977,436</u>	<u>3,351,710</u>	<u>1,317,830</u>	<u>4,537,695</u>

**(c) Financial risk management objectives**

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative or any other purposes.

**(d) Market risk**

The Group's activities do not expose it to market financial risks. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk from the previous period.

**(e) Interest rate risk management**

The Group is exposed to interest rate risk on cash holdings and occasional borrowings. The risk is managed by the Group by ensuring that cash holdings must be invested in one of Australia's large 4 banks and that any borrowings are obtained at fixed interest rates.

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**Notes to the financial statements**

**(e) Interest rate risk management (cont'd)**

The following tables detail the Group's exposure to interest rate risk:

	Weighted average effective interest rate %	Maturity dates			Non interest bearing	Total
		Less than 1 year	1-5 years	More than 5 years		
<b>2008</b>		\$	\$	\$	\$	\$

**Financial assets:**

Cash and cash equivalents	7.1%	1,662,245	-	-	-	1,662,245
Trade and other receivables	-	-	-	-	315,191	315,191
		<u>1,662,245</u>	-	-	<u>315,191</u>	<u>1,977,436</u>

	Weighted average effective interest rate %	Maturity dates			Non interest bearing	Total
		Less than 1 year	1-5 years	More than 5 years		
<b>2007</b>		\$	\$	\$	\$	\$

**Financial assets:**

Cash and cash equivalents	6.1%	2,771,147	-	-	-	2,771,147
Trade and other receivables	-	-	-	-	547,436	547,436
		<u>2,771,147</u>	-	-	<u>547,436</u>	<u>3,318,583</u>

**(f) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Weekly debtors meetings are held where and the ageing of material debtors is reviewed and action agreed and taken if required.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

**(g) Liquidity risk management**

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

**30. Financial instruments (cont'd)**

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**Notes to the financial statements**

**(h) Fair value of financial instruments**

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined with reference to the standard terms and conditions.

**31. Subsequent events**

Subsequent to year-end the iBurst network owner PBA Pty Ltd has been placed in administration. PBA Pty Ltd continues to trade and operate its network.

Existing director Mr Danny Herceg (Chairman), resigned on 18 July 2008.

Other than what is mentioned in the notes to the financial statements and above, there has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**32. Commitments for expenditure**

The business does not have any significant commitments as at the end of the financial year, other than the non-cancellable operating lease commitments are disclosed in note 25 to the financial statements.

**33. Contingent liabilities and contingent assets**

The business has no contingent liabilities or assets as at the end of the financial year.

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**Additional stock exchange information  
as at 30 June 2008**

**Number of holders of equity securities**

Ordinary share capital

- 86,284,714 fully paid ordinary shares are held by 393 individual shareholders.

All issued ordinary shares carry one vote per share.

Options

- 9,090,000 options are held by 8 individual option holders.

Options do not carry a right to vote.

**Restricted securities and securities subject to voluntary escrow**

The Company has no restricted securities and securities subject to voluntary escrow.

**On-market buy-back**

The Company has no on-market buy-back.

**Distribution of holders of equity securities**

	Fully paid ordinary shares	Convertible notes	Options
1 – 1000	2	-	-
1,001 – 5,000	15	-	-
5,001 – 10,000	193	-	-
10,001 – 100,000	123	-	-
100,001 and over	60	-	8
	<b>393</b>	<b>-</b>	<b>8</b>
Holding less than a marketable parcel	-	-	-

**Substantial shareholders**

<b>Ordinary shareholders</b>	<b>Fully Paid</b>	
	<b>Number</b>	<b>Percentage</b>
JMAS PTY LTD	9,579,718	11.102
PRIVATE NOMINEES LIMITED	8,000,000	9.272
VORPAL PTY LIMITED	7,361,704	8.532
MR PATRICK CHOI	6,482,411	7.513
L J CATELAN SUPERANNUATION FUND PTY LTD <L J CATELAN S/F A/C>	5,568,679	6.454
M L CATELAN SUPERANNUATION FUND PTY LTD <M L CATELAN S/F A/C>	5,568,679	6.454

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# BigAir Group Limited

## Additional stock exchange information as at 30 June 2008 (cont'd)

### Twenty largest holders of quoted equity securities

	Fully Paid	
	Number	Percentage
<b>Ordinary shareholders</b>		
JMAS PTY LTD	9,579,718	11.102
PRIVATE NOMINEES LIMITED	8,000,000	9.272
VORPAL PTY LIMITED	7,361,704	8.532
MR PATRICK CHOI	6,482,411	7.513
L J CATELAN SUPERANNUATION FUND PTY LTD <L J CATELAN S/F A/C>	5,568,679	6.454
M L CATELAN SUPERANNUATION FUND PTY LTD <M L CATELAN S/F A/C>	5,568,679	6.454
MR DAVID KEANE	3,489,287	4.044
DETAIL NOMINEES PTY LIMITED <UNPAID A/C>	3,000,000	3.477
MR ROBERT GILLAN	2,076,346	2.406
D S J INVESTMENT FUND PTY LTD <SUPER FUND A/C>	2,040,000	2.364
MR WALLACE MACKENZIE ASHTON	1,861,982	2.158
MR KARL WILLIAM VIZVARY	1,789,374	2.074
CULLINGRAL PTY LIMITED <WALLACE M ASHTON S/F A/C>	1,465,000	1.698
ROCKEND PTY LTD <BALLS HEAD PENSION FUND A/C>	1,461,933	1.694
ZAZU HOLDINGS PTY LTD	1,400,000	1.623
DR JONATHON EDWARD RANKIN	1,250,000	1.449
LAI SUN KEANE	1,138,904	1.320
MR WILLIAM FORSYTH	1,071,460	1.242
E-PAY ASIA LIMITED	1,054,217	1.222
CARFORE PTY LIMITED	871,604	1.010
	<u>66,531,298</u>	<u>77.11</u>

### Company Secretary

Patrick Choi

### Registered office and principle administration office

Level 1  
59 Buckingham Street  
Surry Hills NSW 2010  
Tel: (02) 9993 1300

### Share registry

Registries Limited  
Level 7  
207 Kent Street  
Sydney NSW 2000  
Tel: 9290 9600