

COMMODITEL  
LIMITED

30 August 2004

Manager of Company Announcements  
Australian Stock Exchange Limited  
Level 6, 20 Bridge Street  
SYDNEY NSW 2000

By E-lodgement

APPENDIX 4E

Please find attached the Company's Appendix 4E.

For and on behalf of the Board



DAVID RIEKIE  
Non Executive Chairman

# **COMMODITEL LIMITED**

ABN 30 000 386 685

ASX Preliminary Final Report  
Appendix 4E

30 June 2004

Lodged with the ASX under Listing Rule 4.3A

**Results for announcement to the market**

		Year Ended 30 June 2004 \$	Year Ended 30 June 2003 \$
<b>Revenue</b> from ordinary activities	Down 28%	1,498,895	2,086,740
<b>Profit/(Loss)</b> before Interest, Tax, Depreciation and Amortisation ( <b>EBITDA</b> ) from ordinary activities	Down 15%	(876,563)	(1,034,598)
<b>Profit/(Loss)</b> before Interest and Tax ( <b>EBIT</b> ) from ordinary activities	Up 46%	(1,822,030)	(1,245,660)
<b>Net Profit/(Loss)</b> for the period attributable to members ( <b>NPAT</b> )	Up 40%	(1,741,874)	(1,237,969)

<b>Dividends</b>	<b>Amount per security \$</b>	<b>Franked amount per security \$</b>
Final dividend	0	0
Interim dividend	0	0

**Commentary**

The consolidated entity ComodiTel Limited has delivered a larger net loss due mainly to the write off of intellectual property attributed to the business of Natural Resource Intelligence (NRI) throughout the year. Following the announcement to wind down the operations of NRI, the board resolved to be conservative and write off all intellectual property associated with this business. This write off was approximately \$782k. As previously announced to the market, the board resolved that the business of NRI did not constitute a solid growth prospect going forward and was anticipated to cause financial strain on the consolidated entities resources.

**Adaptive Systems**

Adaptive Systems Pty Ltd (formerly Natural Systems Intelligence Pty Ltd) continues to develop expert knowledge and a reputation as a quality provider of online business solutions. Adaptive System's intellectual property continues to grow and provide a reusable asset and a platform that can be applied to new opportunities. This provides the potential for growth in revenue and profit through reduced system development costs and time to market.

Over the 2003/2004 financial year Adaptive Systems increased its focus on providing ongoing support and maintenance to clients. Adaptive Systems will continue to provide clients managed solutions coupled with ongoing support and maintenance and application hosting within our Canberra Data Centre.

The streamlining of company operations has lead to a number of significant organisational changes over the 2003/2004. A restructuring of management team has occurred resulting in the appointment of three new staff: General Manager (Andrew Chambers), Sales and Marketing Manager (Brian Sharpe) and Finance Manager (Csilla Szanto). The new management team has allowed Adaptive Systems to improve and streamline company processes and procedures, improve medium and long term sales prospects and position the company to commercialise its existing Intellectual Property and product base.

#### **Adaptive systems major projects in 2004**

- Downing Teal
- Department of Health
- Murray Darling Basin Commission
- Toyota New Zealand
- Rego ACT
- National Heart Foundation of Australia (NHF)

#### **Revolution Telecom**

Revolution Telecom Pty Ltd (formerly Allgrove Holdings Pty Ltd) was acquired in December 2003 to commercialise a range of telecommunications products. The acquisition has enabled ComodiTel through this segment to enter the prepaid market of the telecommunications industry. This has been made possible with Revolution's Network Capacity Agreement with Vodafone. The acquisition represents a key avenue for growth and integration of the combined services in the prepaid market will allow the Company to deliver complete outsourced solutions to an expanded market. The future development of relationships with larger, more diverse customers is consistent with the Company's intention to build scalability, product mix, customer base, distribution channels and earnings stability.

Revolution also secured an agreement with Vodafone to operate as a Value Added Reseller ("VAR") for the Vodafone Target program in Australia. Being a VAR enables Revolution to provide significant opportunities to corporate customers to communicate with their existing customer base and add value to their customer experience.

#### **Annual Report and Annual General Meeting**

ComodiTel expects to mail its Annual Report and Notice of Annual General Meeting to shareholders during the week commencing 18 October 2004.

ComodiTel expects to hold its 2004 Annual General Meeting in Perth on 19 November 2004.

**Preliminary Consolidated Statement of Financial Performance**  
**For the Year ended 30 June 2004**

	Notes	2004 \$	2003 \$
<b>Revenues From Ordinary Activities</b>	2	1,498,895	2,086,740
Cost of services rendered		(147,195)	(589,016)
Salaries and employee related benefits		(1,230,286)	(1,307,841)
Depreciation and amortisation expenses	3	(945,467)	(211,062)
Administration expenses		(489,191)	(553,386)
Borrowing costs expense		-	(10,615)
Other expenses from ordinary activities	3	(428,630)	(652,789)
		<hr/>	<hr/>
<b>(Loss) From Ordinary Activities Before Income Tax Expense</b>		<b>(1,741,874)</b>	<b>(1,237,969)</b>
Income Tax Expense Relating to Ordinary Activities		-	-
		<hr/>	<hr/>
<b>Net (Loss) attributable to the members of CommodityTel Limited</b>		<b>(1,741,874)</b>	<b>(1,237,969)</b>
		<hr/>	<hr/>
Basic loss per share(cents per share)	4	1.5	4.1

**Preliminary Consolidated Statement of Financial Position  
As at 30 June 2004**

	Notes	2004 \$	2003 \$
<b>Current Assets</b>			
Cash assets		2,514,139	107,003
Receivables		177,810	382,044
Inventories		40,000	-
Other		50,229	-
<b>Total Current Assets</b>		<b>2,782,178</b>	<b>489,047</b>
<b>Non-Current Assets</b>			
Receivables		-	25,118
Property, plant and equipment		327,293	319,386
Intangibles		3,815,809	1,567,910
<b>Total Non-Current Assets</b>		<b>4,143,102</b>	<b>1,912,414</b>
<b>TOTAL ASSETS</b>		<b>6,925,280</b>	<b>2,401,461</b>
<b>Current Liabilities</b>			
Payables		226,079	450,717
Provisions		46,090	83,044
Interest bearing liabilities		-	309,623
<b>Total Current Liabilities</b>		<b>272,169</b>	<b>843,384</b>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities		-	25,830
Provisions		-	23,077
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>48,907</b>
<b>TOTAL LIABILITIES</b>		<b>272,169</b>	<b>892,291</b>
<b>NET ASSETS/(DEFICIENCY)</b>		<b>6,653,111</b>	<b>1,509,170</b>
<b>Equity</b>			
Contributed equity	6	47,357,158	43,198,343
Reserves		2,727,000	-
Accumulated losses	7	(43,431,047)	(41,689,173)
<b>TOTAL EQUITY/(DEFICIENCY)</b>		<b>6,653,111</b>	<b>1,509,170</b>

**Preliminary Consolidated Statement of Cash Flows  
For the Year ended 30 June 2004**

	Notes	2004 \$	2003 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		1,228,337	1,991,737
Interest received		78,376	7,691
Interest paid		(4,390)	(7,496)
Payments to suppliers and employees		(2,196,013)	(2,752,026)
<b>Net cash flows from/(used in) operating activities</b>	8	<b>(893,690)</b>	<b>(760,094)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for acquisition of business	8	(166,806)	(245,000)
Purchases of property, plant and equipment		(201,280)	(83,879)
Payments to term deposits		-	(5,618)
Proceeds from sale of non-current assets		45,550	122,880
<b>Net cash flows from/(used in) from investing activities</b>		<b>(322,536)</b>	<b>(211,617)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issues of ordinary shares		4,020,488	-
Proceeds from borrowings		-	276,000
Repayment of borrowings		(330,148)	(46,120)
Payment of share issue expenses		(61,673)	(49,178)
<b>Net cash flows from/(used in) from financing activities</b>		<b>3,628,667</b>	<b>229,880</b>
<b>Net increase/(decrease) in cash held</b>		<b>2,412,441</b>	<b>(741,831)</b>
Cash at the beginning of the financial year		101,698	843,529
<b>Cash at the end of the financial year</b>		<b>2,514,139</b>	<b>101,698</b>

The accompanying notes form part of these financial statements.

**Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2004**

**1. DIVIDENDS**

The Directors do not recommend that a dividend relating to the year ending 30 June 2004 be paid.

<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from Ordinary Activities</b>		
Revenue from services rendered	1,357,471	1,951,466
Interest received – other persons	78,376	7,691
Other revenue	17,498	4,703
Total revenues from operating activities	1,453,345	1,963,860
<b>Revenue from non-operating activities</b>		
Proceeds from sale of other assets	45,550	122,880
<b>Total Revenue from ordinary activities</b>	<b>1,498,895</b>	<b>2,086,740</b>

**3. EXPENSES FROM ORDINARY ACTIVITIES**

The operating result before income tax has been determined that:

<b>Cost of Services Rendered</b>	147,195	589,016
<b>Interest Expense</b>		
Other	4,390	7,496
	4,390	7,496
<b>Depreciation</b>		
Depreciation on plant and equipment	94,459	121,063
	94,459	121,063

**Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2004**

3. EXPENSES FROM ORDINARY ACTIVITIES	2004 \$	2003 \$
<b>Amortisation</b>		
Amortisation goodwill	851,008	89,999
	851,008	89,999
 <b>Other Expenses/(Gains) from Ordinary Activities includes the following major items:</b>		
Bad and doubtful debts	14,263	65,421
Management fees to associated entity	127,716	113,028
Legal and professional fees	232,408	300,079
Travel expenses	54,243	150,597
Other expenses from ordinary activities	-	23,664
	428,630	652,789

4. EARNINGS PER SHARE (EPS)	2004 ¢	2003 ¢
Basic loss per share (cents per share)	1.5	4.1
Weighted average number of shares used in the calculation of basic EPS	119,184,719	30,222,444

The amount used in the numerator in calculating basic EPS is the same as the net loss reported in the statement of financial performance.

**5. SEGMENT REPORTING**

(a)	Industry Segments	Telecomm- unications	Information Technology	Environmental Technology	Other	Eliminations	Consolidated
	2004 \$	2004 \$	2004 \$	2004 \$	2004 \$	2004 \$	2004 \$
Operating Revenue							
Sales revenue external	-	1,156,677	260,814	-	-	-	1,417,491
Other revenue	3,100	1,173	1,709,537	77,056	(1,709,462)	-	81,404
Total segment revenue	3,100	1,157,850	1,970,351	77,056	(1,709,462)	-	1,498,895
Segment result	(328,113)	110,390	671,521	(2,195,675)	-	-	(1,741,877)
Segment assets	190,252	1,386,613	124,796	6,205,087	(981,468)	-	6,925,280
Segment liabilities	(518,365)	(2,170,982)	(195,987)	(47,793)	2,660,958	-	(272,169)

**Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2004**

	Telecomm- unications	Information Technology	Environmental Technology	Other	Eliminations	Consolidated
	2003 \$	2003 \$	2003 \$	2003 \$	2003 \$	2003 \$
Operating Revenue						
Sales revenue external	-	1,316,045	635,421	-		1,951,466
Other revenue	-	11,850	1,076	122,348	-	135,274
Total segment revenue	-	1,327,895	636,497	122,348	-	2,086,740
Segment result	-	(257,471)	(742,654)	(961,905)	723,805	(1,237,969)
Segment assets	-	1,439,958	1,030,471	1,789,073	(1,858,041)	2,401,461
Segment liabilities	-	(2,334,717)	(1,773,184)	(321,922)	3,537,532	(892,291)

**6. NOTES TO THE STATEMENT OF FINANCIAL POSITION**

**ISSUED & PAID UP CAPITAL**

	2004 \$	2003 \$
Ordinary shares fully paid	47,157,138	43,198,343

**Movements during the period:**

Movements in issued and paid up ordinary share capital of the Company during the period since 30 June 2004 have been:

Date	Details	No. of Shares	Issue Price	\$
30/6/03	Opening Balance	30,691,348		43,198,343
	Share issue - Prospectus	48,191,348		1,445,740
	Share issue - Prospectus	38,000,000		1,900,000
	Share issue – Convertible notes	17,500,000		175,000
	Share issue – Placement	14,369,349		431,080
	Shares issue – Exercise of options	2,288,880		68,648
	Costs of share issues			(61,673)
		141,040,915		47,157,138

During the period 200,000,000 incentive based shares were also issued as part of the acquisition of Revolution Telecom Pty Ltd. These securities were independently valued at \$200,000 and are subject to pre-determined performance milestones.

**Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2004**

**Options**

During the twelve month period 2,000,000 unlisted options exercisable at 3 cents were issued to senior executives and 4,788,888 listed options exercisable at 3 cents were issued to new investors as part of the convertible note issue above. 50,000,000 incentive based options and 90,000,000 unlisted options exercisable at 5 cents were also issued during the period as part of the acquisition of Revolution Telecom Pty Ltd. During the period 2,288,880 options were exercised and at the date of this report 189,908,127 options still exist.

**Restricted Securities**

At 30 June 2004, there are the following securities subject to escrow:

200,000,000 incentive based shares are escrowed for 12 months ending 24 December 2004  
50,000,000 incentive based options are escrowed for 12 months ending 24 December 2004  
90,000,000 unlisted options exercisable at 5 cents are escrowed for 24 months ending 24 December 2005

<b>7. ACCUMULATED LOSSES</b>	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	41,689,173	40,451,204
Loss from ordinary activities after tax	1,741,874	1,237,969
Balance at the end of the year	<u>43,431,047</u>	<u>41,689,173</u>
<b>8. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
Reconciliation of the operation loss after tax to the net cash flows from operations:		
<b>Operating (loss) after income tax</b>	(1,741,874)	(1,237,969)
(Profit) / Loss on sale of non-current assets	48,263	(99,101)
<b>Non cash items</b>		
Amortisation	851,008	89,999
Depreciation	94,459	121,063
<b>Changes in assets and liabilities</b>		
Movement in net receivables	179,123	9,118
Movement in other assets and liabilities	(40,000)	17,034
Movement in net payables	(224,638)	301,908
Movement in provisions	(60,031)	37,814
<b>Net cash flow from/(used in) operating activities</b>	<u>(893,690)</u>	<u>(760,094)</u>
<b>Reconciliation of Cash</b>		
Cash at bank	602,414	107,003
Short term deposits	1,911,725	-
	<u>2,514,139</u>	<u>107,003</u>

**Notes to the Preliminary Consolidated Financial Statements  
Year ended 30 June 2004**

**Acquisitions of Businesses**

During the period, the Company completed the acquisition of all the issued capital in Allgrove Holdings Pty Ltd which has subsequently been renamed Revolution Telecom Pty Ltd. Revolution Telecom is building businesses in various segments of the telecommunications industry. It specializes in businesses relating to and operating in the Australian mobile telecommunications industry and the provision of both voice and data services to customers in those markets.

Revolution was acquired through the issue of 90,000,000 options, 50,000,000 incentive based options and 200,000,000 incentive based shares. Conversion or exercise of these incentive based securities is based on the achievement of pre-determined milestones.

Consideration (both cash and non-cash) for Revolution Telecom amounts to \$3,098,906 including \$171,906 of capitalised costs in relation to the acquisition (cash item), 200,000,000 incentive based shares valued at \$200,000 (non-cash item) and 90,000,000 options independently valued at \$2,727,000 (non-cash item). In addition, 50,000,000 incentive based options were issued but no value has been attributed to them. The incentive based securities are all subject to the achievement of pre-determined milestones.

**9. EVENTS SUBSEQUENT TO REPORTING DATE**

**International Financial Reporting Standards**

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with International Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as a exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transaction or events are presented.

The consolidated entity has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial positions as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the consolidated entity's financial reports in the future. The potential impacts on the consolidated entity's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified as at the transition date of 1 July 2004 due to the short timeframe between finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

The key potential implications of the conversion to IFRS on the consolidated entity are as follows:

- financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity.

- surpluses and deficits in the defined benefit superannuation plans sponsored by entities within the consolidated entity will be recognised in the statement of financial position and the statement of financial performance.
- revaluation increments and decrements relating to revalued property, plant and equipment and intangible assets will be recognised on an individual asset basis, not a class of assets basis.
- intangible assets:
  - internally generated intangible assets (except development phase expenditure in certain circumstances) will not be recognised.
  - Intangible assets can only be revalued if there is an active market.
- Goodwill and intangible assets with indefinite useful lives will be tested for impairment annually and will not be amortised.
- Impairments of assets will be determined on a discounted basis, with strict tests for determining whether goodwill and cash-generating operations have been impaired.
- Investment properties [fair valued with increments and decrements going through the statement of financial performance measured at cost and depreciated], and owner occupied properties, will be classified as property, plant and equipment.
- Equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effect.

<b>10. NET TANGIBLE ASSET BACKING</b>	<b>2004</b>	<b>2003</b>
	<b>¢</b>	<b>¢</b>
Net tangible asset backing per ordinary share	2 cents	Nil

**11. CONTROLLED ENTITIES**

During the period the Consolidated Entity gained or disposed of control over the following:

**Acquisition 2004**

<b>Name</b>	<b>Date Acquired</b>	<b>Consolidated Entity's Interest %</b>	<b>Consideration \$'000</b>	<b>Contribution to consolidated net loss \$'000</b>
Revolution Telecom Pty Ltd	23 December 2003	100	3,098	(328)

**Notes to the Preliminary Consolidated Financial Statements**  
**Year ended 30 June 2004**

**12. COMPLIANCE STATEMENT**

This report is based on financial statements to which the following applies:

- |                                     |                                                                                    |                          |                                                                 |
|-------------------------------------|------------------------------------------------------------------------------------|--------------------------|-----------------------------------------------------------------|
| <input type="checkbox"/>            | The financial statements have been audited.                                        | <input type="checkbox"/> | The financial statements have been supplied to review.          |
| <input checked="" type="checkbox"/> | The financial statements are in the process of being audited or subject to review. | <input type="checkbox"/> | The financial statements have not yet been audited or reviewed. |

The Company has a formally constituted Audit Committee.



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**David Riekie**  
**Director**

Date: 30 August 2004

## CORPORATE DIRECTORY

### DIRECTORS

David Riekie (Director)  
David Paganin (Director)  
David Sweet (Director)

### COMPANY SECRETARY

Nicki Telfer

### REGISTERED OFFICE

Grange Consulting Group  
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### PRINCIPAL PLACE OF BUSINESS

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Revolution Telecom Pty Ltd  
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West Perth WA 6005  
Telephone: (08) 6263 9900  
Facsimile: (08) 9485 1384

### AUDITORS

Ernst & Young  
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Telephone: (08) 9429 2222  
Facsimile: (08) 9429 2432

### SHARE REGISTRY

Computershare Investor Services  
Level 2, Reserve Bank Building  
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