CTI COMMUNICATIONS LIMITED

(ABN 45 071 781 363)

2001 ANNUAL REPORT

CORPORATE DIRECTORY

Directors
Paul Hardie
Jon O'Callaghan
Mark Sumich

Secretary
Damien Kelly

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ASX Codes
CTC (fully paid ordinary shares)

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DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the financial year ended 30 June 2001.

Directors

The names of the directors who held office at any time during or since the end of the year are:

- Mr Paul Hardie (appointed 20 December 2001)
- Mr Jon O'Callaghan (appointed 20 December 2001)
- Mr Mark Sumich (appointed 20 December 2001)
- Mr Michael Barraclough (resigned 20 December 2001)
- Mr Peter Fritz (resigned 20 December 2001)
- Mr David Beddall (resigned 20 December 2001)
- Mr Godfrey Franz (resigned 15 March 2001)
- Mr Bryan Curtin (resigned 15 October 2001)

Corporate Structure

CTI Communications Limited (**CTI** or **Company**) is a company limited by shares that is incorporated and domiciled in Australia. CTI has prepared a consolidated financial report incorporating the entities it controlled during the year (**Economic Entity**).

Principal Activities

The principal activities of the Economic Entity during the financial year involved communications software and hardware development and call centre software and support.

Employees

The Economic Entity employed 75 employees as at 30 June 2001.

Significant changes in the State of Affairs

The following significant changes in the state of affairs of the Company occurred during the financial year:

- on 3 July 2000 the Company issued 1,500,000 ordinary shares at an issue price of $1 each as part consideration for the purchase of CTI Interactive; and
- the Company closed and wrote down the value of its investment in its call centre.

Results

The net after tax loss taken to account for the year ended 30 June 2001 was a loss of $17,175,157 *(2000: gain of $353,667)*. The loss for the period includes a net loss of $14,151,698 taken to account to adjust assets and liabilities to their realisable value.

Dividends

No amounts have been paid, declared or recommended by the Company by way of dividend since the commencement of the financial year (2000: $115,000).

Review of Operations

During the financial year the Economic Entity continued with its primary business of selling and maintaining call centre and telephony products.

Likely Developments and Expected Results

The Company's specific objectives in the short to medium term are to determine:

- the marketability of ShareCall;
- the potential for development of RMG; and
- the ability of CTI to establish itself as a technology solution provider.

Consistent with the Company's overriding corporate objective (which is to maximise shareholder wealth), and in addition to proceeding with the aforementioned objectives, the Company will evaluate other opportunities on an ongoing basis.

Events Subsequent to Balance Date

On 8 October 2001, CTI was placed into voluntary administration (**Administration**).

As a part of the Administration, Planwell Pty Ltd (100% owned subsidiary as at balance date) and a significant proportion of the Company's property plant and equipment were sold to Bryan Curtin (Chairman of CTI at balance date) and Mathew Barnier (a director of Planwall Pty Ltd at balance date) for a total consideration of $900,000. Other property plant and equipment and CTI's share of its Call Centre business were sold for $12,798.

On 20 December 2001, CTI entered into a deed of company arrangement (**DOCA**) with the aim of being removed from administration and then being re-structured, re-capitalised and re-quoted on ASX (**Re-organisation**), resulting in the following events occurring on or before settlement of the DOCA (being 1 March 2002):

- CTI was provided with a $450,000 debt facility to satisfy the claims of creditors and remove CTI from Administration;
- the incumbent board of directors resigned and were replaced by Mr Paul Hardie, Mr Jon O'Callaghan and Mr Mark Sumich; and
- the Company was released from Administration.

Subsequent to settlement of the DOCA, the following events have also occurred (as approved by shareholders on 22 February 2002):

- on 4 March 2002, the issued capital of the Company was consolidated on a 1 for 15 basis, reducing the total number of shares on issue (at that time) to 1,998,193 shares.
- on 15 March 2002, the Company issued the following securities in consideration for the co-ordination and refinancing of the Re-organisation:
    - i) 4,500,000 ordinary shares;
    - ii) 4,500,000 convertible notes;
    - iii) 5,500,000 options expiring on 30 June 2006 exercisable at 5 cents if exercised on or before 30 June 2004 or 10 cents if exercised after 30 June 2004; and
    - iv) 3,000,000 preference shares.
- on 15 March 2002, the Company issued 100,000 options expiring on 30 June 2006 (exercisable at 5 cents if exercised on or before 30 June 2004 or 10 cents if exercised after 30 June 2004) to each of Mr Paul Hardie and Mr Mark Sumich.

On 25 March 2002, the Company lodged a prospectus for the offer of up to 7.5 million Parcels at 25 cents each (with each Parcel comprised of 2 Shares at 10 cents each and 1 Option at 5 cents each) to raise up to $1,875,000. The minimum subscription for the offer has been set at 5 million Parcels and the offer received shareholder approval on 22 February 2002.

As a result of Administration and the realisation of assets and liabilities at recoverable amount, the financial statements for the period ending 30 June 2001 have been adjusted to reflect their realisable value. The assets of the Company have been written down to values at which they were subsequently realised and liabilities have been adjusted to values in which they were settled for. The net result of these adjustments has caused a loss of $14,151,698 to be taken to the Statement of Financial Performance for the period ending 30 June 2001. The Statement of Financial Performance provides more detail as to the specific adjustments made to restate the accounts at realisable value.

Environmental Regulation and Performance

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Directors' Meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Name of Director	Meetings eligible to attend	Meetings attended
Bryan Curtin	8	7
Peter Fritz	8	8
Michael Barraclough	8	8
David Bedell	8	8
Frank Rittano	7	7
Paul Hardie	-	-
Jon O'Callaghan	-	-
Mark Sumich	-	-

Committee Membership

Subsequent to the administration and change of board of directors, the Company has formed no committees of directors. Due to these events, CTI is currently not operational and therefore considers that various committees, including an audit committee are not presently required.

The following table indicates the audit committee that was in place during the year ended 30 June 2001, the number of meetings each member was eligible to attend and the number of meetings attended.

Name of Director	Meetings eligible to attend	Meetings attended
Bryan Curtin	3	3
Peter Fritz	3	3
David Bedell	3	3

Information on Directors

The directors of the Company in office at the date of this report are:

Paul Hardie **- Chairman**

Mr Hardie is the Principal of Hardies Lawyers, a boutique law firm which provides corporate and general commercial advice to a number of public and private clients on a wide range of matters including mergers and acquisitions, initial public offerings and other capital raisings, and a variety of Corporations Act and Listing Rules compliance matters.

Prior to establishing his own law practise, Mr Hardie gained extensive experience in the areas of business management, commercial litigation and property law and as part of the mergers and acquisitions team of a large national law firm.

Mr Hardie is admitted as a practitioner of the Supreme Court of Western Australia and the High Court of Australia. He holds a Bachelor of Economics (with a double major in Economics and Marketing) from the University of Western Australia, a Bachelor of Laws from Murdoch University and is currently completing a Graduate Diploma in Applied Finance & Investment (majoring in Investment Management) with the Securities Institute of Australia.

Jon O'Callaghan **- Director**

Mr O'Callaghan is the founder and principal of O'Callaghan & Co, a niche corporate advisory practice that services both the resource and technology sectors. Mr O'Callaghan has extensive experience in corporate advisory including capital raisings, stock exchange listings, restructuring, recapitalisations, takeovers, acquisitions, backdoor listings, and negotiating, structuring and executing initial public offerings and corporate transactions. This experience has led to Mr O'Callaghan holding directorships in a number of public companies within both the resource and technology sectors.

Mr O'Callaghan holds a Bachelor of Business from Curtin University, is a member of the Australian Society of Certified Practicing Accountants and the Australian Institute of Company Directors.

Mark Sumich **- Director**

Mr Sumich is a former CEO of eTick Limited, which he joined following a career history in the areas of law and commerce. His experience includes Associate Director in the Corporate Finance & Investment Banking Group at PricewaterhouseCoopers. He also has extensive legal experience in corporate and securities law including a number of years with the large Australian commercial law firm Clayton Utz.

Mr Sumich is a Fellow of the Customer Service Institute of Australia and an Associate of the Securities Institute of Australia. He has a Bachelor of Law (Hons) from the University of Western Australia and an MBA from the London Business School.

Share Options

As at the date of this report, there are 6,033,698 options on issue to take up one ordinary share in the capital of the Company. The options on issue have the following characteristics:

- 66,667 unlisted options exercisable at $12.30 on or before 31 May 2005;
- 253,697 unlisted options exercisable at $15.00 on or before 31 May 2005;
- 13,334 unlisted options exercisable at $7.50 on or before 23 June 2005; and
- 5,700,000 options expiring on 30 June 2006 exercisable at 5 cents if exercised on or before 30 June 2004 or 10 cents if exercised after 30 June 2004.

No options were exercised during the year or to the date of this report.

Options carry no right to participate in pro rata issues of securities to shareholders, unless the options are exercised before the record date for determining entitlements to the relevant pro rata issue.

Directors' Interest in Securities

The interests of each director in the share capital of the Company as at the date of this report are:

Name of Director	Post Consolidation Ordinary Shares	Options	Preference Shares
P Fritz	644,472	33,333	-
M Barraclough	88,916	33,333	-
B Curtin	71,293	75,919	-
D Beddall	18,313	-	-
G Franz	13,200	44,445	-
P Hardie	-	100,000	-
J O'Callaghan	-	850,000	2,850,000
M Sumich	-	100,000	-

Emoluments of Directors and Executive Officers

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and management. The Board of Directors assess the appropriateness of the nature and amount of the emoluments of such officers on a periodic basis by reference to relevant employment conditions with the overall objective of ensuring maximum stakeholder benefit by retention of a high quality Board and management.

The emoluments of directors who held office during the year were as follows:

Parent Entity

Name of Director	Salary $	Superannuation Contributions $	Total $
J M Barraclough	193,390	15,471	208,861
G Franz	145,489	11,639	157,128
B Curtin	40,000	3,200	42,200
P Fritz	30,000	2,400	32,400
D Beddall	20,000	1,600	21,600

In addition to salaries paid, other payments were made to companies associated with the above directors in relation to services provided to the Company. These are more fully disclosed in Note 25 of the financial statements.

Economic Entity

Emoluments of directors of the economic entity that are not mentioned above are as follows:

Name of Director	Salary $	Superannuation Contributions $	Total $
M Barnier	115,162	31,361	146,523

There are no executive officers of the parent entity or the economic entity who are not directors as listed above.

Indemnification and Insurance of Directors and Officers

The Company paid a fee of $10,000 to provide Directors and Officers Liability Insurance for the directors of the Company. This policy covered the year ended 20 June 2001, when no further insurance was taken out.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the section of this report entitled "Corporate Governance Practices".

Signed in accordance with a resolution of directors.

P. Hardie

Paul Hardie

Chairman

Signed at Perth on 17 May 2002

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2001

		Consolidated		Company	
		2001	2000	2001	2000
	Note	$	$	$	$
Revenues From Ordinary Activities	2	11,457,926	7,281,619	5,128,876	4,965,869
Cost of Sales		(5,480,143)	-	(1,962,858)	-
Borrowing costs		(18,215)		(13,725)	
Depreciation and amortisation expense		(248,637)		(160,701)	
Amortisation of goodwill		(473,250)		(96,658)	
Payroll related costs		(5,743,900)		(3,464,271)	
Other Expenses From Ordinary Activities	3	(2,647,172)	-	(1,225,847)	-
Net Loss Recorded to Write Down Assets and Adjust Accounts to Realisable Value	4	(13,836,026)	-	(14,707,517)	-
Profit / (Loss) From Ordinary Activities Before Income Tax Expense		(16,989,416)	748,784	(16,502,701)	295,979
Income Tax (Expense) / Benefit Relating to Ordinary Activities	5	129,931	(395,117)	-	(233,352)
Profit From Ordinary Activities After Income Tax Expense		(16,859,485)	353,667	(16,502,701)	62,627
NET PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF CTI COMMUNICATIONS LIMITED		(16,859,485)	353,667	(16,502,701)	62,627
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	18	(16,859,485)	353,667	(16,502,701)	62,627

The statement of financial performance should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION

As at 30 June 2001

		Consolidated		Company	
		2001	2000	2001	2000
	Note	$	$	$	$
Current Assets					
Cash	6	160,706	3,024,809	15,646	2,534,661
Receivables	7	4,231,751	2,923,320	1,533,713	1,581,108
Inventory	8	25,196	291,600	-	291,600
Other	9	618,200	647,626	-	224,431
Property Plant and Equipment	10	316,691	-	110,000	-
Investments	11	-	-	800,000	-
Intangible Assets	12	1,049,929	-	-	-
Deferred Tax Assets	5a	112,859			
Total Current Assets		6,515,332	6,887,355	2,459,359	4,631,800
Non-Current Assets					
Investments	11	-	-	-	12,362,430
Property Plant & Equipment	10	-	478,011	-	276,771
Intangibles	12	-	12,653,005	-	-
Deferred Tax Assets	5a	-	56,336	-	30,342
Total Non-Current Assets		-	13,187,352	-	12,669,543
Total Assets		6,515,332	20,074,707	2,459,359	17,301,343
Current Liabilities					
Payables	13	4,748,227	3,269,543	2,418,425	2,452,478
Interest Bearing Liabilities	14	74,577	127,069	-	100,000
Provisions	15	554,561	113,662	438,543	77,810
Current Tax Liabilities	5a	291,176	324,786	131,512	237,381
Other	16	1,441,655	1,250,301	-	-
Total Current Liabilities		7,110,195	5,085,361	2,988,479	2,867,669
Non-Current Liabilities					
Interest Bearing Liabilities	14	-	107,919	-	-
Provisions	15	-	12,827	-	-
Deferred Tax Liabilities	5a	-	143,886	-	-
Total Non-Current Liabilities		-	264,632	-	-
Total Liabilities		7,110,195	5,349,993	2,988,479	2,867,669
Net Assets		(594,864)	14,724,714	(529,120)	14,433,674
Equity					
Contributed Equity	17	15,658,563	14,118,656	15,658,563	14,118,656
Retained Profits (Accumulated Losses)	18	(16,253,427)	606,058	(16,187,684)	315,018
Total Equity		(594,864)	14,724,714	(529,120)	14,433,674

The statement of financial position should be read in conjunction with the accompanying notes

STATEMENT OF CASH FLOWS

For the year ended 30 June 2001

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Cash Flows from Operating Activities					
Receipts from customers		10,018,714	5,991,202	3,685,071	3,200,283
Payment to Suppliers and Employees		(10,816,480)	(6,681,785)	(4,471,014)	(3,471,746)
Interest Received		30,787	52,801	10,239	51,128
Borrowing costs		(18,215)	(1,643)	(13,725)	(1,643)
Income tax paid		(104,088)	(162,289)	-	-
Net Cash Flows Used in Operating Activities	20(b)	(889,282)	(801,714)	(789,429)	(221,978)
Cash Flows from Investing Activities					
Proceeds from sale of property, plant and equipment		-	30,295	-	-
Proceeds from sale of investments		-	4,402	-	-
Purchase of Property Plant and Equipment		(354,317)	(321,626)	(269,493)	(283,472)
Purchase of Business		(1,500,000)	(2,475,911)	(1,500,000)	(3,126,000)
Loans repaid by other entities		-	(16,508)	-	
Net Cash Flows Used in Investing Activities		(1,854,317)	(2,779,348)	(1,769,493)	(3,409,472)
Cash Flows from Financing Activities					
Proceeds from Issue of Shares		-	5,830,300	-	4,556,513
(Payment)/refund of Share Issues Costs		39,907	(799,144)	39,907	-
Proceeds from borrowings		-	100,000	-	100,000
Repayment of borrowings		(160,411)	(34,883)	-	-
Dividends paid by parent company			(115,000)	-	(115,000)
Net Cash Flow from Financing Activities		(120,504)	4,981,273	39,907	4,541,513
Net Increase/(Decrease) in Cash Held		(2,864,103)	1,400,211	(2,519,015)	910,063
Add Opening Cash Brought Forward		3,024,809	1,624,598	2,534,661	1,624,598
Closing Cash Carried Forward	20(a)	160,706	3,024,809	15,646	2,534,661

The statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. *Summary of Significant Accounting Policies*

The significant accounting policies, which have been adopted in the preparation of this financial report, are:

(a) Basis of Accounting

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

Due to CTI Communications Ltd entering voluntary administration on 8 October 2001, the basis of accounting has been varied from prior years. The consolidated entity continued to trade up until the date of administrator appointment, whereby the administrators ceased trading and began realising the assets and liabilities of the parent entity.

The Administrators recovered all possible debtors and attempted to recover some of the value of the parent entity's investments and property, plant and equipment. Planwall Pty Limited (**Planwall**) (100% owned subsidiary as at balance date) and a significant proportion of the Company's property plant and equipment were sold to a related party by the administrators for a total consideration of $900,000. Other property plant and equipment and CTI's share of its Call Centre business were sold for $12,798. No value was recovered from the other investments of the parent entity.

As a result of this realisation of assets subsequent to balance date, the financial statements for the period ended 30 June 2001 have been adjusted to reflect the value in which assets were realised. Losses have been taken to the Statement of Financial Performance for amounts that assets were written down.

Secured creditors admitted and approved by the Administrators were paid out the full amount due. Unsecured creditors admitted and approved by the administrators received a dividend payout of 24.86 cents in the dollar.

As a result of this settlement of creditors at amounts lower than historical cost, the value at which creditors have been recorded in the financial statements has been adjusted to reflect the value in which creditors were realised subsequent to balance date. As a result of writing creditors back to their realisable value, a credit has been taken to the Statement of Financial Performance to record the decrease in outgoings for the amount that payment to creditors was reduced.

As Planwall was sold as a going concern, the assets and liabilities in the books of the Economic Entity have been recorded at cost and adjusted to reflect recoverable amount where necessary. The goodwill on consolidation relating to the purchase of Planwall has been written off in line with the write down of the investment in Planwall in the books of the Economic Entity.

As the assets and liabilities of the parent and economic entity are all realised within 12 months of balance date, all assets and liabilities have been classified as current for the reporting period ending 30 June 2001.

These accounting policies have not been applied consistently with the previous period as the comparative figures for the year ended 30 June 2000 have been prepared on a going concern basis, where a historical cost method of accounting was considered appropriate.

(b) Principles of Consolidation

The consolidated accounts comprise a consolidation of the financial statements of the Company, being the parent entity and its controlled entities.

The accounts of controlled entities are prepared for the same reporting period as the parent entity. However, accounting policies applied by the parent and one of the subsidiary entities vary. The accounts of this subsidiary, Planwall, have been prepared on a going concern basis as opposed to the realisable value basis of the parent entity, as described above.

The balances and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

(c) Investments

The value of shareholdings in controlled entities have been written down to values that they were realised subsequent to balance date. This has resulted in the value of the investment in Planwall being written down to the price at which the investment was sold during administration and the value of the remaining investments being written off due to no realisable value upon administration.

(d) Trade and other receivables

Trade receivables of the parent entity have been written off to the Statement of Financial Performance to the extent that they were not collected subsequent to balance date. Trade receivables of Planwall have been recorded at historical cost and provided for as necessary.

Receivables from related parties are recognised and carried at recoverable amounts where those amounts were received subsequent to balance date. Interest is taken up as income on an accrual basis to the extent that it was recoverable at balance date.

(e) Property, Plant and Equipment

Property, plant and equipment of the parent entity have been written down to the values that they were realised at subsequent to balance date. The property, plant and equipment of Planwall have been recorded at cost less accumulated depreciation and when the carrying value exceeds recoverable amount, the excess has been written off to the Statement of Financial Performance.

The following depreciation rates have been applied during the period on a strait line basis:

	2001	2000
Leasehold improvements	3-20%	3-20%
Office equipment - computers	60%	60%
Furniture and fittings	20%	20%
Motor vehicles	22.5%	22.5%

(f) Deferred Expenditure

Where expenditure has been incurred to bring future revenues to the Company, that expenditure is capitalised until such time that the revenues are earned. The expenditure is taken to the Statement of Financial Performance in the same period that the related revenues are.

Deferred expenditure is only capitalised to the extent that it is beyond reasonable doubt that revenues of at least the capitalised balance will result in the future.

(g) **Goodwill**

Goodwill is recorded as the excess of purchase consideration over net tangible assets acquired during an acquisition. Goodwill has been amortised over a life of 20 years during the financial year.

Goodwill has been written down to recoverable amount at the end of the reporting period.

(h) **Trade and other payables**

Liabilities and trade creditors of the parent entity have been adjusted to values that they were settled for subsequent to balance date. Secured creditors were settled in full and unsecured creditors were either settled or partly settled during the period that the Company continued trading, or settled for the creditors dividend payout rate of 24.86 cents in the dollar.

Liabilities and trade creditors of Planwall have been recorded at cost due to the sale of the investment as a going concern. The liabilities and trade creditors of the remaining subsidiaries were written down to recoverable amount consistently with the parent entity.

Where liabilities have been settled at an amount lower than cost, the decrease in outgoing has been taken to the Statement of Financial Performance as a credit. The aggregate of these amounts have been disclosed on the face of the Statement of Financial Performance.

Payables to related parties have also been adjusted to realisable values. Interest, when charged by the lender, is recognised as an expense on an accruals basis to the extent that the interest charge will be paid.

(i) **Employee entitlements**

The provision for employee entitlements includes:

Annual leave

The amount of annual leave due and payable as at balance date has been included as a provision for employee entitlements. The provision has been calculated on nominal amounts based on current wage and salary rates and includes related on costs.

Long Service Leave

The employee entitlements provision includes the present value of estimated future cash outflows in relation to long service leave that has been earned by employees at balance date. The present values of estimated long service leave payments takes into account expected increases in wage and salary rates and related on costs.

Severance and Redundancy entitlements

Upon administrator appointment subsequent to balance date, many staff of the Company were made redundant and received redundancy or severance payouts. The actual value of these payouts has been recorded as an expense for the period ending 30 June 2001 and is payable as at balance date.

(j) **Taxation**

The parent entity has not bought tax benefits arising from reporting a loss for the period to account as it is not considered virtually certain that they will be recovered. Future income tax benefits resulting from timing differences have also not been bought to account as the recovery of the benefit is not considered beyond reasonable doubt.

Planwall has recognised the future income tax benefit arising from timing differences as recoverability is considered beyond reasonable doubt, however, Planwall have not recognised tax benefits arising from recording a loss for the period as recoverability is not considered virtually certain.

Income tax payable and deferred income tax payable has been recorded at the value in which it was settled for in the parent entity and all subsidiaries except Planwall, where it has been recorded on a cost basis due to sale of the investment as a going concern.

(k) Statements of Cash Flows

Cash for the purposes of the statements of cash flows includes cash on hand, at banks and bank bills.

(l) Revenue Recognition

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

Sales Revenue

Sales revenue is generated from software sales, hardware sales, maintenance contracts and repairs of systems already installed.

Software sales revenue is recognised (net of returns, discounts and allowances) on an individual project basis using the percentage of completion method and represents contracts completed during the year and contracts in progress at year-end.

Maintenance Revenue

Maintenance revenue is recognised over the term of the contract, bringing revenue to account as the life of the contract passes.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

Sale of assets other than goods

Control of the asset has passed to the buyer.

(m) Leases

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

(n) Share Capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising from the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(o) Earnings per share

Basic earnings per share is determined by dividing the operating profit after tax and after preference dividends by the weighted average number of ordinary shares outstanding during the financial year.

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

(p) Comparatives

Under AASB 1018 - Statement of Financial Performance, AASB 1034 - Financial Report Presentation and Disclosure, and AASB 1026 - Statement of Cash Flows, the accounts require the disclosure of information for the preceding corresponding financial period.

Comparatives have been prepared on a going concern basis as outlined in part (a) of Note 1.

Certain comparative financial information relating to the Statement of Financial Performance and the Notes referenced thereto have not been included in the financial statements. The Company has elected not to restate certain comparative financial information in accordance with AASB 1034 - Financial Report Presentation and Disclosures. This standard allows such when an entity has applied a superseded version of an accounting standard in the preceding corresponding reporting period, where that standard did not require disclosure of such information.

(q) Foreign currency transactions

Transactions in foreign currencies of the entity within the consolidated entity are converted to local currency at the rate of exchange ruling the date of the transaction.

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

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

2. *Revenue from Ordinary Activities*

Revenue from Operating Activities					
Sale of goods and services		11,427,139	7,215,760	4,842,704	4,914,741
Intercompany management fee		-	-	275,933	-
Interest - other persons/corporations		30,787	65,859	10,239	51,128
		11,457,926	7,281,619	5,128,876	4,965,869
Revenue from Non-Operating Activities					
Proceeds on disposal of property, plant and equipment		-	30,295	-	-

3. *Expenses*

Included in the loss from ordinary activities before income tax are the following expenses:

Included in the loss from ordinary activities before income tax are the following expenses:

Operating Expenses					
Audit & Accounting		(282,215)	-	(235,574)	-
Marketing, Advertising & Promotions		(268,643)	-	(134,018)	-
Rent		(449,985)	-	(170,100)	-
Travel & Accommodation		(519,116)	-	(285,512)	-
Other Expenses		(1,127,213)	-	(400,643)	-
Total Operating Expenses		(2,647,172)	-	(1,225,847)	-

4. *Net Loss Recorded to Write Down Assets and Adjust the Accounts to Realisable Value*

Revenue booked due to revaluation of creditors to recoverable amounts		1,708,099	-	1,708,099	-
Revenue booked due to unearned income being written back		104,718	-	104,718	-
Expenses booked due to revaluation of debtors to recoverable amounts		(1,529,247)	-	(1,529,247)	-
Expenses booked due to revaluation of inventory to recoverable amounts		(175,200)	-	(175,200)	-
Write off goodwill	12	(13,390,332)	-	(2,699,394)	-
Expenses booked due to revaluation of investments to recoverable amount		-	-	(11,562,430)	-
Expenses booked due to providing for redundancy costs		(287,063)	-	(287,063)	-
Expenses booked due to revaluation of PP&E to recoverable amounts		(267,000)	-	(267,000)	-
Net Loss Attributable to Restating Accounts at Recoverable Amount		(13,836,026)	-	(14,707,517)	-

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

5. *Income Tax*

The prima facie tax operating results differs from the income tax provided in the financial statements as follows:

	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Prima facie income tax (benefit) from ordinary activities calculated at 34% (2000: 36%)	(5,732,225)	269,562	(4,950,810)	106,552
Add tax effect of:				
non-deductible write-off purchased goodwill	4,017,100	123,545	809,818	123,545
non-deductible write-off of investment	-	-	3,468,729	-
other non-allowable items	-	7,160	28,997	1,470
adjustment to future income tax benefit and provision for deferred income tax for change in company tax rate to 30% (2000 : 34%)	15,047	8,015	-	(5,814)
Less tax effect of:				
adjustment to future income tax benefit and provision for deferred income tax for change in company tax rate to 30% (2000 : 34%)	(14,367)	(8,464)	-	-
Future income tax benefits not bought to account	1,584,514	-	643,266	-
Income tax expense (benefit) attributable to operating profit and before income tax	(129,931)	395,117	-	233,352

(a) Deferred Tax Assets and Liabilities

	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Current tax payable	291,176	324,786	131,512	237,381
Provision for deferred income tax - non-current	-	143,886	-	-
	291,176	468,672	131,512	237,381
Deferred tax assets	112,859	56,338	-	30,342

(b) Income Tax Losses

Future income tax benefits arising from tax losses of the consolidated entity are not brought to account at balance date as realisation of the benefit is not regarded as virtually certain.

Future income tax benefit will only be obtained if:

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

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

6. *Cash*

Cash at bank	70,133	3,024,809	15,646	2,534,661
Term deposit	90,573	-	-	-
Total Cash	160,706	3,024,809	15,646	2,534,661

7. *Receivables*

Trade debtors	4,071,245	2,633,925	1,433,713	989,526
Other debtors	160,506	230,400	100,000	100,261
Amounts receivable from:				
Wholly owned subsidiaries	-	-	-	481,321
Other related parties	-	48,995	-	-
Director related entities	-	10,000	-	10,000
Total Receivable	4,231,751	2,923,320	1,533,713	1,581,108

(a) Foreign Currency Receivable

Current receivables not effectively hedged:				
United States Dollars	1,433,615	-	1,148,096	-

8. *Inventory*

Inventory - Work in Progress	123,244	291,600	-	291,600
Less: Provision for inventory	(98,048)	-	-	-
Total Inventory	25,196	291,600	-	291,600

9. *Other Assets*

Deferred maintenance expenditure	525,781	392,122	-	-
Deferred training expenditure	85,533	-	-	-
Prepayments	6,886	255,504	-	224,431
	618,200	647,626	-	224,431

10. *Property Plant and Equipment*

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Property					
Leasehold improvements at realisable value (2000: cost)		42,003	136,888	-	94,885
Accumulated amortisation		(14,000)	(10,149)	-	(10,149)
Total leasehold improvements		28,003	126,739	-	84,736
Plant and Equipment					
Plant, hardware and Other equipment at realisable value (2000: cost)		106,260	253,167	106,260	175,085
Accumulated depreciation		-	(82,780)	-	(32,319)
Total Plant, Hardware and Other Equipment		106,260	170,387	106,260	142,766
Office furniture and fixtures at realisable value (2000: cost)		234,096	100,989	3,740	53,916
Accumulated depreciation		(113,517)	(29,992)	-	(4,647)
Total furniture and fixtures		120,579	70,997	3,740	49,269
Motor vehicles at realisable value (2000: cost)		160,776	213,596	-	-
Accumulated depreciation		(98,927)	(103,708)	-	-
Total Motor Vehicles		61,849	109,888	-	-
Total Plant and Equipment		288,688	351,272	110,000	192,035
Total Property Plant and Equipment		316,691	478,011	110,000	276,771

(a) Property Plant and Equipment

	Consolidated 2001 $	Company 2001 $
Leasehold improvement		
Carrying value at beginning of period	126,739	84,736
Amortisation during the period	(29,094)	(6,531)
Write down to realisable value	(69,642)	(69,642)
	28,003	-
Plant hardware and other equipment		
Carrying value at beginning of period	170,387	142,766
Additions	168,390	196,011
Amortisation during the period	(149,233)	(149,233)
Write down to realisable value	(83,284)	(83,284)
	106,260	106,260
Office furniture and fixtures		
Carrying value at beginning of period	70,997	49,269
Additions	133,107	73,482
Amortisation during the period	(30,155)	(4,937)
Write down to realisable value	(53,370)	(114,074)
	120,579	3,740
Motor vehicles		
Carrying value at beginning of period	109,888	-
Additions	52,820	-
Amortisation during the period	(40,155)	-
written down to recoverable amount	(60,704)	-
	61,849	-

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

11. *Investments*

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Subsidiaries at cost		-	-	12,362,430	12,362,430
Less: Write down		-	-	(11,562,430)	-
Total Investments		-	-	800,000	12,362,430

(a) Interests in Subsidiaries

The following are entities controlled by the Company as at 30 June 2001, these entities have been included in the consolidated accounts of the Economic Entity. The financial year end of the controlled entities is the same as that of the Company.

Name	Country of Incorporation	Ordinary shares held by consolidated entity 2001 %	Ordinary shares held by consolidated entity 2000 %	Ordinary shares held by parent entity 2001 $	Ordinary shares held by parent entity 2000 $
Planwall Pty Limited	Australia	100	100	1	1
TCG Mega Systems Pty Limited	Australia	100	100	1	1
ShareCall Card Technologies Pty Limited	Australia	100	100	1	1

12. *Intangible Assets*

	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Research and Development at cost	475,368	475,368	-	-
Less: Written off	475,368	-	-	-
	-	475,368	-	-
Goodwill at cost	14,913,511	12,259,637	2,796,381	343,510
Less: Accumulated amortisation	473,250	82,000	96,987	329
Less: Written off	13,390,332	-	2,699,394	343,181
Total Intangibles	1,049,929	12,653,005	-	-

13. *Payables*

	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Unsecured Liabilities				
Trade creditors	4,229,350	2,782,767	2,305,619	2,103,296
Sundry creditors	488,877	469,279	112,806	244,182
Amounts payable to:				
Other related parties	-	-	-	105,000
Director related entities	30,000	17,497	-	-
Total Payable	4,748,227	3,269,543	2,418,425	2,452,478

(a) Foreign Currency Payables

	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Current liabilities not effectively hedged:				
United States Dollars	2,381,059	1,340,540	1,056,691	637,182

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

14. *Borrowings*

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Current					
Unsecured liabilities - Director related entity		-	100,000	-	100,000
Lease and Hire Purchase liabilities secured		74,577	27,069	-	-
Non-Current					
Lease and Hire Purchase liabilities secured		-	107,919	-	-
Director related entities		-	-	-	-
Total Payable		74,577	134,988	-	100,000

Hire purchase and leased assets are provided as security for those hire purchase and lease agreements.

15. *Provisions*

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Current					
Employee Entitlements		554,561	113,662	438,543	77,810
Non-Current					
Employee Entitlements		-	12,827	-	-
Total Provisions		554,561	126,489	438,543	77,810

16. *Other Liabilities*

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Income in advance		1,441,655	1,250,301	-	-
Total Payable		1,441,655	1,250,301	-	-

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

17. *Contributed Equity*

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Paid-up Capital					
29,969,580 (2000 - 28,469,580) fully paid ordinary shares		15,658,563	14,118,656	15,658,563	14,118,656

(a) Issued Capital

	Note	2001 Number of shares	2001 $	2000 Number of shares	2000 $
At the beginning of the financial year -		28,469,580	14,118,656	800	8
Shares issued during the year:					
Issued for the acquisition of the telephony business from Trilogy Business Systems Pty Ltd	I.	1,500,000	1,500,000		
Issued to existing shareholders				10,000,000	100,000
Issued for the acquisition of TCG Mega Systems Pty Ltd				7,000,000	5,740,000
Issued for the acquisition of Planwall Pty Ltd				3,400,000	3,400,000
400,000 issued for the acquisition of 50% of ShareCall Technologies Pty Ltd				400,000	400,000
Issued to employees and key advisers				1,938,480	22,135
Issued to the public in terms of a Prospectus dated 28 April 2000				5,730,300	5,730,300
Public share issue (costs)/refund			39,907		(1,273,787)
At the end of the financial year -		29,969,580	15,658,563	28,469,580	14,118,656

i. - On 3 July 2001 1,500,000 shares were issued as part consideration for the acquisition of the telephony business division from Trilogy Business Systems Pty Ltd.

(b) Terms and Conditions of Contributed Equity

Share Options

The Company had established an employee share option plan (**Old ESOP**) which was replaced by a new employee share option plan (**New ESOP**) on 22 February 2002. All employees were entitled to participate in the Old ESOP as selected by the board and all options issued under the Old ESOP have since expired. No options have been issued under the New ESOP.

Participants who were granted options under the Old ESOP were entitled to exercise one-third after 12 months, further one-third after 24 months and the remaining one-third 36 months after the grant date, at a price equal to the market price of the shares at the time the options were granted plus one cent. Share issued upon the exercise of the options will rank pari passu with all existing ordinary shares of the Company from the date of issue.

The total number of shares that were able to be issued to employees in respect of which options have been granted under the Old ESOP and which were not exercised or lapsed were not at any time to exceed 5% of the Company's total issued ordinary share capital at that time.

Options carry no right to participate in pro rata issues of securities to shareholders, unless the options are exercised before the record date for determining entitlements to the relevant pro rata issue.

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares are entitled to one vote, either in person or by proxy, at a meeting of the company.

Convertible Notes

Convertible notes will participate in any rights issues to ordinary shareholders. Shares issued pursuant to a conversion of a convertible note shall rank, from the date of issue pari passu with existing shares in all respects. If the Company is wound up, each convertible note carries the right to payment of an amount to its face value, in priority to any payment or other distribution on any security.

18. *Retained Profits/Accumulated Losses*

Opening retained profits	606,058	367,391	315,018	367,391
Profit/(loss) for the period	(16,859,485)	353,667	(16,502,701)	62,627
Divided paid	-	115,000	-	115,000
	(16,253,427)	606,058	(16,187,683)	315,018

19. *Earnings per Share*

	2001 cents per Share	2000 cents per Share
Basic earnings per share	(57.3)	2.7
Weighted average number of ordinary share on issue used in the calculation of basic earnings per share	29,957,251	11,140,430

Diluted earnings per share are not shown as the options on issue are deemed not to have a dilutive effect.

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

20. *Notes to the Statement of Cash Flows*

(a) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits, at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Cash on Hand and at Banks	160,706	3,024,809	15,647	2,534,661
Closing Cash Balance	160,706	3,024,809	15,647	2,534,661

(b) Reconciliation of operating result and income tax to the net cash from operating activities

	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Operating (Loss) after Income Tax	(16,859,485)	353,667	(16,502,701)	62,627
Non-Cash Items				
Amortisation	473,250	89,732	96,658	7,732
Depreciation	248,637	59,796	160,701	44,505
Movement in taxes payable	(234,019)	(23,981)	(75,527)	(1,552)
Creditors written back	(1,708,099)	-	(1,708,099)	-
Unearned income written back	(104,718)	-	(104,718)	-
Debtors written off	1,529,247	-	1,529,247	-
Inventory written off	175,200	-	175,200	-
Write off goodwill	14,238,196	-	3,020,274	-
Investments written off	-	-	11,562,430	-
PP&E written off	267,000	-	267,000	-
Changes in Asset and Liabilities				
Decrease / (Increase) in Receivables	(1,308,431)	(2,172,361)	47,395	(1,053,157)
Increase in prepayments	29,426	(647,626)	224,431	(224,431)
Decrease / (Increase) in inventories	266,404	(210,800)	291,600	(210,800)
Increase in trade creditors and accruals	1,478,684	1,756,236	(34,053)	1,240,457
Increase in Provisions	428,072	70,362	360,733	34,510
Other liabilities	191,354	(76,739)	(100,000)	(59,242)
Net Cash Flow (used in) Operating Activities	(889,282)	(801,714)	(789,429)	(159,351)

(c) Financing facilities available

At balance date, there were no financing facilities available to the Company.

(d) Non-Cash Financing and Investing Activities

On 3 July 2000 the Company acquired the telephony business division from Trilogy Business Systems Pty Ltd for a total consideration of $3.0 million. The consideration was made up of $1.5 million in cash and the issue of 1,500,000 shares.

The assets and liabilities acquired upon this acquisition include:

	$
Debtors	592,397
Inventory	175,200
Loan receivable	57,959
Property Plant and Equipment	118,045
Goodwill	2,796,381
Total Assets	**3,739,982**
Creditors	(739,982)
Net Assets	**3,000,000**

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

21. *Financial Instruments*

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

(a) Financial Assets

Receivables are carried at realisable value, being cost written down to the extent that they are not subsequently received.

(b) Financial Liabilities

Accounts payable, accruals, and provisions have been recorded at the value that they were subsequently settled for.

(c) Interest Rate Risk

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

Financial Instruments	Fixed Interest Rate		Non-interest Bearing		Total Carrying Amount as per the Statement of Financial Position		Weighted Average effective interest rate	
	2001 $	2000 $	2001 $	2000 $	2001 $	2000 $	2001%	2000 %
Financial assets								
Cash	90,573	-	70,133	3,024,809	160,706	3,024,809	2.8%	-
Receivables	-	-	4,231,751	2,923,320	4,231,751	2,923,320	N/A	N/A
Financial liabilities	74,577	134,988	-	-	74,577	134,988	8.13%	8.13%
Accounts payable	-	-	4,748,227	3,269,543	4,748,227	3,269,543	N/A	N/A

(d) Recognised Financial Instruments

Cash, cash equivalents, and short term investments

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

Receivables and payables

The carrying amount approximates recoverable amount.

(e) Credit Risk Exposure

The consolidated entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

22. *Remuneration of Directors*

Income paid or payable to all directors of each entity in the economic entity by the entities of which they are directors and any related parties		544,071	185,248	-	-
Income paid or payable to all directors of the parent entity in the economic entity by the parent entity and any related parties		-	-	428,879	144,948

The number of directors of the Company or related entities whose total income falls within the following bands:

	No.	No.	No.	No.
$0 - $9,999	-	3	-	3
$10,000 - $19,999	1	-	1	-
$30,000 - $39,999	1	1	1	1
$40,000 - $49,999	1	-	1	-
$110,000 - $119,999	1	2	-	1
$140,000 - $149,000	1	-	1	-
$190,000 - $199,000	1	-	1	-

23. *Auditor's Remuneration*

Amounts charged and received by the auditors of the Company:

Audit or review of the Financial Report of the Entity and any Other Entity in the Consolidated Entity	65,000	30,000	55,000	30,000
Other Services in Relation to the Entity and any Other Entity in the Consolidated Entity	6,370	20,000	6,370	20,000
Total	61,370	50,000	61,370	50,000
Amounts relating to the above fees not paid due to the administration	45,091	16,843	45,091	16,843
Total Paid	16,279	33,157	16,279	33,157

24. *Segment Information*

During the year, the Company and its controlled entities operated primarily in the telecommunications industry and in Australia.

25. *Contingent Liabilities*

At balance date legal action had been instigated against the Company, subsequently, the parties to the claim decided not to further the action.

Due to the execution of the DOCA subsequent to balance date, it is expected that no other contingent liabilities exist.

26. *Related Party Disclosures*

The directors of CTI during the financial year were: Mr Michael Barraclough, Mr Peter Fritz, Mr David Beddall, Mr Godfrey Franz and Mr Bryan Curtin.

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

The directors of CTI as at the date of the Directors' Report are Mr Paul Hardie, Mr Jon O'Callaghan and Mr Mark Sumich.

(a) Transactions with Director Related Entities:

	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $
Transactions with companies related to or associated with Mr Peter Fritz				
Kambaldo Pty Ltd	71,072	45,000	71,072	45,000
TCG Graphic Design Pty Ltd	-	86,035	-	86,035
TCG Information Systems Pty Limited	-	1,511	-	1,511
Technical Computing & Graphics Pty Limited	145,607	104,850	145,607	104,850
TCG Systems Automation Pty Limited	-	30,000	-	30,000
Transactions with companies related to or associated with Mr John Michael Barraclough and Peter Fritz				
Customer Connections Australia Pty Limited	-	97,880	-	97,880
TCG POS Pty Limited	-	266,884	-	266,884
Transactions with companies related to or associated with Mr John Michael Barraclough				
Hanifile Pty Limited	-	105,858	-	100,000
Transactions with companies related to or associated with Mr David Beddall				
David Beddall and Associates Pty Ltd	5,500	-	5,500	-
Seed Capital Loan Transactions with companies related to or associated with Mr Bryan Curtin				
Mecart Pty Ltd	-	100,000	-	100,000

(b) The types of goods and services that CTI purchased:

Transactions with companies related to or associated with Mr Peter Fritz	
Kambaldo Pty Ltd	Rentals of commercial office space substantially on commercial terms.
TCG Graphic Design Pty Ltd	Prospectus design, production and printing negotiated on commercial terms.
TCG Information Systems Pty Limited	Purchase of computer software at list price.
Technical Computing & Graphics Pty Limited	Secretarial, administration financial consulting and accounting services provided during the year.
TCG Systems Automation Pty Limited	Research and development consultancy subject to an agreement ending on 28 June 2000.
Transactions with companies related to or associated with Mr John Michael Barraclough and Peter Fritz	
Customer Connections Australia Pty Limited	Purchase of fixed assets and call centre dialler system at directors' valuation.
TCG POS Pty Limited	Consultancy and corporate advice for public float, prospectus and underwriting on terms agreed between the then directors.
Transactions with companies related to or associated with Mr John Michael Barraclough	
Hanifile Pty Limited	Management consultancy for management services and consultancy for research and development substantially on commercial terms.
Transactions with companies related to or associated with Mr David Beddall	
David Beddall and Associates Pty Ltd	Consultancy and advice provided to the Company
Seed Capital Loan Transactions with companies related to or associated with Mr Bryan Curtin	
Mecart Pty Ltd	Seed capital loan to fund the costs of float, underwriting and public listing program negotiated at arms length on commercial terms.

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

(c) Interests in the Company Held by the Directors and their Director-Related Entities are as follows:

	Ordinary Shares		Options	
Name of Director	**2001**	**2000**	**2001**	**2000**
M Barraclough	7,333,733	7,333,733	500,000	500,000
P Fritz	7,000,400	9,667,067	500,000	500,000
B Curtin	1,069,392	1,069,392	1,138,784	1,138,784
D Beddall	274,696	274,696		
G Franz	198,000	198,000	666,667	1,000,000

333,333 of Mr G Franz's options expired during the year.

(d) Transactions with wholly owned group

Companies within the wholly owned group entered into the following related party transactions:

- lending of money on interest free terms; and
- management fee charged for the provision of management services to wholly owned subsidiaries.

27. Events Subsequent to Balance Date

On 8 October 2001, CTI was placed into voluntary administration (**Administration**).

As a part of the Administration, Planwell Pty Ltd (100% owned subsidiary as at balance date) and a significant proportion of the Company's property plant and equipment were sold to Bryan Curtin (Chairman of CTI at balance date) and Mathew Barnier (a Director of Planwell Pty Ltd at balance date) for a total consideration of $900,000. Other property plant and equipment and CTI's share of its Call Centre business were sold for $12,798.

On 20 December 2001, CTI entered into a deed of company arrangement (**DOCA**) with the aim of being removed from administration and then being re-structured, re-capitalised and re-quoted on ASX (**Re-organisation**), resulting in the following events occurring on or before settlement of the DOCA (being 1 March 2002):

- CTI was provided with a $450,000 debt facility to satisfy the claims of creditors and remove CTI from Administration;
- The incumbent board of directors resigned and were replaced by Mr Paul Hardie, Mr Jon O'Callaghan and Mr Mark Sumich; and
- The Company was released from Administration.

Subsequent to settlement of the DOCA, the following events have also occurred (as approved by shareholders on 22 February 2002):

- on 4 March 2002, the issued capital of the Company was consolidated on a 1 for 15 basis, reducing the total number of shares on issue (at that time) to 1,998,193 shares.

	Note	Consolidated 2001 $	Consolidated 2000 $	Company 2001 $	Company 2000 $

- the maximum annual aggregate fees payable to directors (as directors) was set at the product of $24,000 multiplied by the weighted average number of directors for that year, plus an additional $6,000 per annum for the Chairman.
- on 15 March 2002, the Company issued the following securities in consideration for the co-ordination and refinancing of the Re-organisation:
  - i) 4,500,000 ordinary shares;
  - ii) 4,500,000 convertible notes;
  - iii) 5,500,000 options expiring on 30 June 2006 exercisable at 5 cents if exercised on or before 30 June 2004 or 10 cents if exercised after 30 June 2004; and
  - iv) 3,000,000 preference shares.
- on 15 March 2002, the Company issued 100,000 options expiring on 30 June 2006 (exercisable at 5 cents if exercised on or before 30 June 2004 or 10 cents if exercised after 30 June 2004) to each of Mr Paul Hardie and Mr Mark Sumich.

On 25 March 2002, the Company lodged a prospectus for the offer of up to 7.5 million Parcels at 25 cents each (with each Parcel comprised of 2 Shares at 10 cents each and 1 Option at 5 cents each) to raise up to $1,875,000 (**Re-Capitalisation**). The minimum subscription for the offer has been set at 5 million Parcels and the offer received shareholder approval on 22 February 2002.

As a result of Administration and the realisation of assets and liabilities at recoverable amount, the financial statements for the period ending 30 June 2001 have been adjusted to reflect their realisable value. The assets of the Company have been written down to values at which they were subsequently realised and liabilities have been adjusted to values in which they were settled for. The net result of these adjustments has caused a loss of $14,151,698 to be taken to the Statement of Financial Performance for the period ending 30 June 2001. The Statement of Financial Performance provides more detail as to the specific adjustments made to restate the accounts at realisable value.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of CTI Communication Limited, I state that in the opinion of the directors:

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

- giving a true and fair view of the Company and of the consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and
- complying with Accounting Standards and the Corporations Regulations 2001; and

b) subject to completing the Re-Capitalisation referred to in Note 27 of the Financial Statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board:

P. Hardie

Paul Hardie
Chairman

Signed at Perth on 17 May 2002

A Member Firm of PKF International

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CTI COMMUNICATIONS LIMITED AND CONTROLLED ENTITIES
INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF CTI COMMUNICATIONS LIMITED

Scope

We have audited the financial report of CTI Communications Limited for the financial year ended 30 June 2001 as set out on pages 9 to 32.

The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

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

a. the Corporations Act 2001, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the year ended on that date; and

   ii. complying with Accounting Standards and the Corporation Regulations; and

b. other mandatory professional reporting requirements.

Basis of Preparation of Financial Statements

Without qualification to the opinion expressed above, attention is drawn to the following matters:

- As indicated in Note 1 to the financial statements, the financial statements have been prepared on a realisable value basis, rather than a going concern basis. The company was placed in voluntary administration on 8 October 2001, and entered into a deed of company arrangement (DOCA) on 20 December 2001. As a result of the DOCA, adjustments have been made relating to the recoverability and classification of recorded asset amounts, and to the amounts and classification of liabilities, to reflect the fact that the company has realised its assets and extinguished its liabilities other than in the normal course of business.
- As indicated in the Directors' Declaration, and in Note 27 to the financial statements, the company has issued a prospectus for the purposes of raising capital, and the re-capitalisation of the company. The company's directors have determined that the company will only be able to pay its debts as and when they fall due, if the re-capitalisation is completed.

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A New South Wales Partnership

Adrian Whiting

Adrian P Whiting

Date: 17 May 2002
Sydney