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Geneva,  
Switzerland

December 8, 1999

Email: apidgirs@arterhadden.com

**VIA U.P.S**

Secretary  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102

**FILED**

DEC 9 1999

Missouri Public  
Service Commission

Re: One Tel Inc.

TA-2000-362

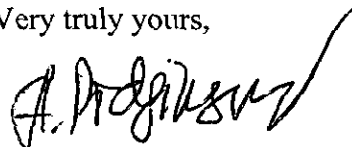
Dear Sir or Madam:

On behalf of One Tel Inc., a Delaware corporation (the "Company"), we have enclosed fifteen copies of an Application of One Tel Inc. for Certificate of Authority to Provide Interexchange Telecommunications Services ("Application"), one of which has been manually executed.

Please acknowledge receipt of the Application by file stamping the enclosed copy of this letter and returning it to the undersigned in the self-addressed, postage prepaid envelope enclosed for your convenience.

If you should have any questions regarding the enclosed, please feel free to contact the undersigned at the number reflected above. Thank you for your attention to this matter.

Very truly yours,



Andrew A. Pidgirsky

DP8/aap  
Enclosures

0000544



BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED  
DEC 9 1999

In the matter of the application of  
**One Tel Inc.**  
for a certificate of service authority to  
provide interexchange  
telecommunications services

)  
)  
)  
)  
)

Case No. TA-2000-362

Public Service Commission

APPLICATION

One Tel Inc. ("Applicant"), a Delaware corporation, files this verified application respectfully requesting that the Missouri Public Service Commission (Commission) issue an order that:

- (a) grants Applicant a Certificate of Service Authority to provide interexchange telecommunications services pursuant to Chapter 392 of the Missouri Revised Statutes,
- (b) grants competitive status to Applicant,
- (c) waives certain Commission rules and statutory provisions pursuant to Section 392.420, RSMo Cum. Supp. 1992.

In support of its request, Applicant states:

1. The legal name and principle office or place of business of the Applicant are:

One Tel Inc.  
111 West Ocean Boulevard  
Suite 2450  
Long Beach, California 90802  
(562) 308-1902 (Telephone)  
(562) 983-6629 (Facsimile)

Copies of Applicant's Articles of Incorporation and Certificate of Authority from the Missouri Secretary of State to transact business in Missouri are attached hereto as Exhibit I.

FILED

DEC 9 1999

0000544

Missouri Public  
Service Commission

2. The name and address of Applicant's co-counsel admitted to practice law in Missouri is:

Quentin C. Faust  
Missouri Bar No. 0049174  
Arter & Hadden  
1717 Main Street, Suite 4100  
Dallas, Texas 75201  
(214) 761-4736 (Telephone)  
(214) 741-7139 (Facsimile)

Please direct copies of all correspondence to Applicant's lead counsel:

David H. Pace  
Arter & Hadden  
1717 Main Street, Suite 4100  
Dallas, Texas 75201  
(214) 761-4736 (Telephone)  
(214) 741-7139 (Facsimile)

3. Applicant proposes to provide interexchange telecommunications services within Missouri including dial around (or 101XXXX) service for the transmission and reception of voice, data, and other types of telecommunications. Applicant does not intend to offer dedicated private line service.

Applicant will not own or lease any facilities used to provide the services, and Applicant has no plans to acquire or lease any such facilities in the future. Instead, the services will be provided through resale of existing capacity obtained from Applicant's underlying facilities-based carriers. Calls will originate over LEC facilities and will be switched to Applicant's underlying facilities-based carrier and will be carried over that carrier's network facilities. End users will access Applicant's services by dialing One Tel's 101XXXX access code. Applicant's 101XXXX access code is 1015677.

Applicant will not offer 1+ services, operator services, local exchange services, or alternative operator services at this time. Applicant will not act as an aggregator, and will not provide operator assisted services to traffic aggregators. Applicant does not currently offer any type of service that will require a prepayment by its end users.

4. Applicant has the experience in the telecommunications industry and the technical and financial resources to provide telecommunications services within Missouri. A brief description of the qualifications and experience of the Officers is attached as Exhibit II. Financial information concerning One Tel is attached as Exhibit III.

5. Applicant's draft tariff is attached as Exhibit IV. The proposed tariff contains the rules and regulations applicable to its customers, a description of the services offered, and a list of rates associated with such services.

6. Applicant requests classification as a competitive telecommunications company within the State of Missouri. Applicant believes that its proposed services will be subject to sufficient competition to justify a lesser degree of regulation. Granting of this application will allow greater price and service options for telephone users.

7. Applicant also requests, pursuant to Section 392.420, RSMo (Cum. Supp. 1992), that the Commission waive the application of the following rules and statutory provisions as it relates to the regulation of Applicant:

Missouri Revised Statutes --

392.240(1)	Rates-reasonable average return on investment.
392.270	Property valuation.
392.280	Depreciation rates.
392.290	Issuance of stocks and bonds.
392.310	Issuance of stocks and bonds.
392.320	Issuance of stocks and bonds.
392.330	Issuance of stocks and bonds.
392.340	Reorganization.

Regulations --

4 CSR 240-10.020	Income on depreciation fund investments.
4 CSR 240-30.010 (2) (C)	Posting exchange rates at central offices.
4 CSR 240-30.040	
4 CSR 240-30.060 (5) (B-0)	Minimum filing requirements (rate increases).
4 CSR 240-32.030 (1) (B)	Exchange boundary maps.
4 CSR 240-32.030 (1) (C)	Record of access lines.
4 CSR 240-32.030 (2)	Records kept within state.
4 CSR 240-32.050 (3-6)	Telephone directories.
4 CSR 240-32.070 (4)	Coin telephones.
4 CSR 240-33.030	Inform customers of lowest priced service.
4 CSR 240-33.040 (5)	Finance fee.

The above-referenced rules and statutory provisions have been waived as to other interexchange carriers in prior cases. These rules and statutory provisions are not necessary for regulation of a competitive reseller toll carrier such as Applicant.

8. Applicant, pursuant to Section 386.570, Cum. Supp. 1992, will comply with all applicable Commission rules except those which are specifically waived by the Commission pursuant to a request filed by the Applicant.

9. Correspondence or communications pertaining to this Application should be addressed to:

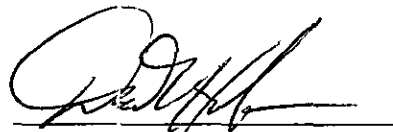
David H. Pace  
Arter & Hadden  
1717 Main Street, Suite 4100  
Dallas, Texas 75201  
(214) 761-4736 (Telephone)  
(214) 741-7139 (Facsimile)

WHEREFORE, Applicant respectfully requests that the Missouri Public Service Commission grant it a certificate of service authority to provide interexchange telecommunications services within the State of Missouri. Applicant also requests classification as a competitive telecommunications company. In addition Applicant requests a waiver of the above-referenced rules and statutory provisions.

Dated this 7th day of December, 1999.

Respectfully submitted,

One Tel Inc., by its attorneys



David H. Pace  
Quentin C. Faust, Missouri Bar  
No. 0049174  
Arter & Hadden  
1717 Main Street, Suite 4100  
Dallas, Texas 75201  
(214) 761-4736 (Telephone)  
(214) 741-7139 (Facsimile)  
Attorneys for Applicant

## VERIFICATION

I, David H. Pace, am an officer of One Tel Inc., and have read the above Application. I certify that the information contained within the application is true and correct.

A handwritten signature in black ink, appearing to read 'David H. Pace', is written over a horizontal line.

David H. Pace  
Assistant Vice President

252712v1

**ATTACHED EXHIBITS**

Exhibit I	Articles of Incorporation and Missouri Secretary of State Authorization
Exhibit II	Officer's Qualifications and Experience
Exhibit III	Financial Information
Exhibit IV	Draft Tariff

**EXHIBIT I**

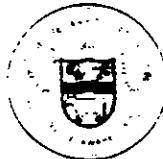
**Articles of Incorporation and  
Missouri Secretary of State  
Authorization to  
Transact Business in Missouri**



*Office of the Secretary of State*

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I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "ONE TEL INC.", FILED IN THIS OFFICE ON THE FIFTH DAY OF JANUARY, A.D. 1998, AT 9 O'CLOCK A.M.



Edward J. Freel, Secretary of State

2834850 8100

981002941

AUTHENTICATION: 8848175

DATE: 01-05-98

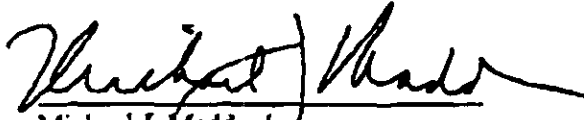
**CERTIFICATE OF INCORPORATION**  
**OF**  
**ONE TEL INC.**

1. The name of the Corporation is One Tel Inc.
2. The address of its registered office in the State of Delaware is 15 East North Street, in the City of Dover, County of Kent. The name of its registered agent at such address is Incorporating Services, Ltd.
3. The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.
4. The Corporation is authorized to issue one class of shares to be designated Common Stock ("Common Stock"). The total number of shares of stock which the Corporation shall have authority to issue is Three Thousand (3,000) shares of Common Stock, and the par value of each share is \$0.01.
5. The Board of Directors is authorized to make, alter or repeal the Bylaws of the Corporation. Election of Directors need not be by ballot.
6. The name and mailing address of the incorporator is as follows:

<u>Name</u>	<u>Address</u>
Michael J. Madda	c/o Baker & McKenzie 660 Hansen Way Palo Alto, CA 94304

7. A Director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the Director derived any improper personal benefit. If the Delaware General Corporation Law is hereafter amended to authorize, with the approval of a corporation's stockholders, further reductions in the liability of the corporation's directors for breach of fiduciary duty, then a Director of the Corporation shall not be liable for any such breach to the fullest extent permitted by the Delaware General Corporation Law as so amended. Any repeal or modification of the foregoing provisions of this Article 7 by the stockholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

I, THE UNDERSIGNED, being the incorporator hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of Delaware, do make this certificate, hereby declaring and certifying that this is my act and deed and the facts herein stated are true, and accordingly have hereunto set my hand as of this fifth day of January, 1998.

  
Michael J. Madda, Incorporator

# STATE OF MISSOURI



**Rebecca McDowell Cook**  
**Secretary of State**

## CORPORATION DIVISION

### CERTIFICATE OF CORPORATE GOOD STANDING - FOREIGN CORPORATION

I, REBECCA MCDOWELL COOK, SECRETARY OF STATE OF THE STATE OF MISSOURI, DO HEREBY CERTIFY THAT THE RECORDS IN MY OFFICE AND IN MY CARE AND CUSTODY REVEAL THAT

ONE TEL INC.

USING IN MISSOURI THE NAME

ONE TEL INC.

A DELAWARE CORPORATION FILED ITS EVIDENCE OF INCORPORATION WITH THIS STATE ON THE 6TH DAY OF FEBRUARY, 1998, AND IS IN GOOD STANDING, HAVING FULLY COMPLIED WITH ALL REQUIREMENTS OF THIS OFFICE.

IN TESTIMONY WHEREOF, I HAVE SET MY HAND AND IMPRINTED THE GREAT SEAL OF THE STATE OF MISSOURI, ON THIS, THE 17TH DAY OF NOVEMBER, 1999.

  
Secretary of State



**EXHIBIT II**  
**Qualifications and**  
**Experience of Officers**

## **BRIEF RESUMES OF KEY OFFICERS**

### **John D. Rich, President, One Tel Inc.**

Mr. John D. Rich has been involved in technology related industries since 1980. He founded and took public the Imagineering/Tech Pacific Group, one of Australia's largest information technology companies. Mr. Rich left Imagineering/Tech Pacific Group when it was sold in 1990. From 1990 – 1994, Mr. Rich studied and researched nano-technology and molecular biochemistry. In 1995, Mr. Rich founded One.Tel Limited, parent company of the Applicant. Mr. Rich holds Bachelor of Economics and Bachelor of Science degrees. He has also completed a Wharton Senior Executive AMP Program.

### **Bradley Keeling, Executive Vice President, Chief Operating Officer, One Tel Inc.**

Mr. Bradley W. Keeling has extensive experience in marketing and business management. He served as Marketing Director of Franklin Mint in the early 1980s. He then accepted a position as National Marketing Director of Imagineering Technology Limited. During that time, he also served as General Manager of Imagineering Telecommunications Pty Limited. In 1991, Mr. Keeling joined Strathfield Car Radios, and until early 1995 he served as that company's Managing Director. Mr. Keeling joined One.Tel Limited (parent company of the Applicant), in 1995.

### **Mark Silbermann, Secretary, Treasurer, One Tel Inc.**

Mr. Mark Silbermann joined One.Tel Limited in February of 1997. His areas of responsibility include Finance and Operations. Mr. Silbermann is a chartered accountant and a member of the South African Institute of Chartered Accountants. Prior to joining One.Tel Limited (parent company of the Applicant), Mr. Silbermann was Finance Director of Cluttons London Residential Agency Limited (now Hamptons International), a London based real estate and property development company.

**EXHIBIT III**  
**Applicant's Financial Information**

One Tel is a wholly-owned subsidiary of One.Tel Limited, an Australian company. One Tel commenced operations in California in September of 1998. One Tel does not have audited financial statements. A copy of the unaudited balance sheet and profit and loss statement prepared as of September 30, 1999 is attached hereto.

One Tel's parent company, One.Tel Limited is a publicly traded company. A true and correct copy of One.Tel Limited's most recent annual report for the year ended June 30, 1999, and containing One.Tel Limited's most recent audited financial statements is attached hereto. Also attached hereto is a Letter of Commitment given by One.Tel Limited to One Tel stating that One.Tel Limited will support One Tel's funding requirements with up to an additional \$500,000 in capital as needed by One Tel for its operations. Finally, attached hereto is a copy of One Tel's business plan for its operations.

This financial information demonstrates the financial commitment of One Tel and its parent corporation to provide services to One Tel's customers.

**MANAGEMENT ACCOUNTS -ONE.TEL US**

For the Month Ended September 30, 1999.

**BALANCE SHEET STATEMENT**

USD

	NOTE	Sep-1999		
		Actual	Previous Mth	Movement
		\$'000	\$'000	\$'000
<b><u>CURRENT ASSETS</u></b>				
Cash and Investments		15	18	(4)
Trade Receivables	1	211	350	(139)
Provision for Doubtful Debts		(162)	(162)	0
Interest Receivable		0	0	0
Prepayments		0	0	0
Inventory		20	13	7
Intercompany Loans		0	0	0
VAT Receivable		0	0	0
Total Current Assets		84	220	(136)
<b><u>NON CURRENT ASSETS</u></b>				
Receivables		0	0	0
Expenditure Carried Forward		399	399	0
Marketing Expenditure Carried Forward		20	20	0
Legal expenses carried forward		109	109	0
Less Accumulated Amortisation		0	0	0
Intercompany Loan		0	0	0
Office Fittings & Comp Equipment		1,217	1,217	0
Less: Accumulated Depreciation		(245)	(230)	(15)
Other		0	0	0
Total Non Current Assets		1,500	1,515	(15)
<b><u>TOTAL ASSETS</u></b>		1,584	1,734	(151)
<b><u>CURRENT LIABILITIES</u></b>				
Trade Creditors & Accruals	2	160	420	(260)
Pre-Paid Phone Card Sales		0	0	0
Borrowings		0	0	0
Provisions		0	0	0
VAT Payable		0	0	0
Intercompany Loans		0	0	0
Total Current Liabilities		160	420	(260)
<b><u>NON CURRENT LIABILITIES</u></b>				
Provisions-Dividends		0	0	0
Intercompany Loan		4,788	4,570	217
Provisions-DITL		0	0	0
Total Non Current Liabilities		4,788	4,570	218
<b><u>TOTAL LIABILITIES</u></b>		4,948	4,990	(42)
<b><u>NET ASSETS</u></b>		(3,364)	(3,256)	(108)
<b><u>SHAREHOLDERS' EQUITY</u></b>				
Shareholders' Loans		0	0	0
Issued Capital		0	0	0
Foreign Currency Translation Reserve		(241)	(241)	0
Retained Profits - prior year		(2,733)	(2,733)	0
Retained Profits - Current Year One.Tel		0	0	0
Retained Profits - Current Year Global		(455)	(279)	(176)
Share Capital		(3,429)	(3,253)	(176)
Share Realisation Reserve		0	0	0
<b><u>TOTAL SHAREHOLDERS' EQUITY</u></b>		(3,429)	(3,253)	(176)

One.Tel)))



**PROFIT & LOSS STATEMENT**

# One.Tel))

**Favorable variances are positive**

USD

### Note

### **EVENING:**

1015677

Access Fees  
International Airtime  
National Airtime  
Subtotal  
  
Non Direct Debit Fee  
Late Payment Fee

one Card Revenue: Net of returns  
for Miscellaneous

ITAL REVENUE

**LIST OF SALES:**

• **not ethical**

International  
National  
Recurring Charges  
COGS - Long Dial  
d-Airtime  
Recurring Charges  
Dealer commissions  
Cost of Phone cards- Manufacturing

**TOTAL COST OF GOOD SOLD**

## LOSS MARGIN

### ng Dial

**Wax Cards**

## CONTRIBUTION

## ing Dial

the Cards (on revenue less dealer commissions)  
the Cards (on revenue pre dealer commissions)

**LOSS IN IN \$**

2

Marketing Expenditure (Excl PhoneCard)  
Operating Expenses  
Provisions for Doubtful Debts

**TOTAL OPERATING EXPENSES**

**Abnormal items**  
**Earnings before interest tax & depreciation)**

### Depreciation

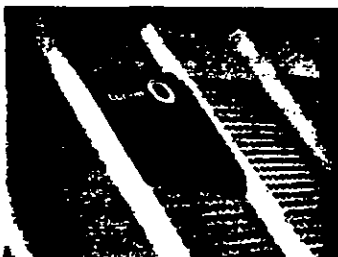
### Amortization

**T PROFIT(LOSS) BEFORE TAX**

Sep-1999			YEAR TO DATE			FULL YEAR	MONTHLY RESULTS														
Actual	Budget	Variance	Actual	Budget	Variance	Budget	Jan-99	Feb-99	Mar-99	Apr-99	May-99	Jun-99	Jul-99	Aug-99	Sep-99	Oct-99	Nov-99	Dec-99	Jan-00	Feb-00	Mar-00
000	000	000	000	000	000	000															
0	0	0	0	0	0	0															
21	22	(1)	65	56	9	143	22	22	21												
0	0	0	0	0	0	0															
21	22	(1)	65	56	9	141	22	22	21				0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0															
0	0	0	0	0	0	0															
21	22	(1)	65	56	9	143	22	22	21	0	0	0	0	0	0	0	0	0	0	0	0
(211)	0	(211)	(174)	0	(174)	0	76	(39)	(211)												
0	0	0	0	0	0	0	0	0	0												
(190)	22	(212)	(109)	56	(165)	143	98	(17)	(190)	0	0	0	0	0	0	0	0	0	0	0	0
14	9	(5)	45	30	(15)	79	16	14	14												
0	0	0	0	0	0	0															
4	0	(4)	8	0	(8)	0	2	2	4												
18	9	(9)	52	30	(22)	79	18	16	18	0	0	0	0	0	0	0	0	0	0	0	0
(101)	0	101	(97)	0	97	0	41	(17)	(101)												
22	0	(22)	52	0	(52)	0	4	26	22												
(33)	0	33	2	0	(2)	0	21	12	(13)												
(7)	0	7	2	0	(2)	0	7	1	(7)												
(101)	9	110	11	30	19	79	94	18	(101)	0	0	0	0	0	0	0	0	0	0	0	0
3	7	4	21	15	(6)	64	4	14	3	0	0	0	0	0	0	0	0	0	0	0	0
(91)	0	91	(132)	0	(132)	(0)	0	(41)	(91)	0	0	0	0	0	0	0	0	0	0	0	0
14%	44%	30%	32%	27%		45%	16.52%	35.70%	13.81%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
52%	0%	-52%	75%	0%		0%	0.58%	80.53%	51.56%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
43%	0%	-43%	76%	0%		0%	0.40%	106.00%	43.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(89)	13	(102)	(120)	26	(146)	64	4	(35)	(89)	0	0	0	0	0	0	0	0	0	0	0	0
46.6%	59.8%		110.1%	46.3%		44.8%	4.2%	209.8%	46.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
0	5	5	9	16	7	63	9	0	0	0	0	0	0	0	0	0	0	0	0	0	0
72	53	(19)	276	198	(79)	675	104	99	72	0	0	0	0	0	0	0	0	0	0	0	0
0	1	1	5	4	(1)	11	3	2	0	0	0	0	0	0	0	0	0	0	0	0	0
72	60	(13)	290	218	(72)	750	117	101	72	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(161)	(47)	114	(410)	(192)	218	(686)	(113)	(136)	(161)	0	0	0	0	0	0	0	0	0	0	0	0
15	37	22	45	111	66	442	15	15	15	0	0	0	0	0	0	0	0	0	0	0	0
0	80	80	0	241	241	963				0	0	0	0	0	0	0	0	0	0	0	0
(176)	(164)	12	(455)	(544)	(88)	(2,091)	(128)	(151)	(176)	0	0	0	0	0	0	0	0	0	0	0	0



# HEADLINE NEWS



## **Murdoch, Packer buy into One.Tel**



One.Tel is totally focussed on two key objectives: to become one of the largest GSM mobile carriers in Australia and through our international expansion, further establish the company as a significant player in the global long distance residential market.

## **Network Rollout Underway!**

One.Tel has achieved a strategic milestone towards becoming a major player in the Australian digital mobile market. In April 1999, One.Tel signed a \$438 million contract for the rollout of a state-of-the-art GSM 1800 network. Over the next 5 years One.Tel intends to build a national network that will support more than 2.5 million subscribers. The Australian Communications Authority has granted a carrier licence to One.Tel GSM 1800 Pty Limited. This licence will allow One.Tel to become a national carrier in Australia.

## **Successful Expansion in Long Distance Market!**

The last 12 months has seen One.Tel experience significant growth in the long distance call market. As a result of highly targeted, results-driven marketing and promotion, the number of One.Tel long distance customers around the world grew to over 340,000 tolling customers. For more details see page 20.

## **PBL & News Ltd Join the One.Tel Family!**

In February 1999, One.Tel announced a strategic alliance with two of the world's leading media groups, News Limited and Publishing and Broadcasting Limited (PBL). This high profile alliance provides a capital injection of \$710 million over three years and also offers numerous synergies and strategic opportunities. For more details see page 12.

# Highlights

Global Company



# Results



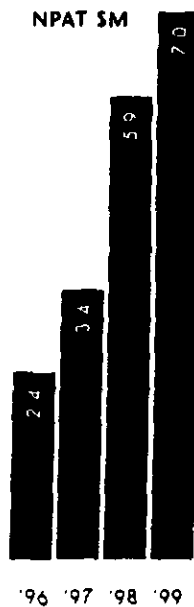
Revenue \$M



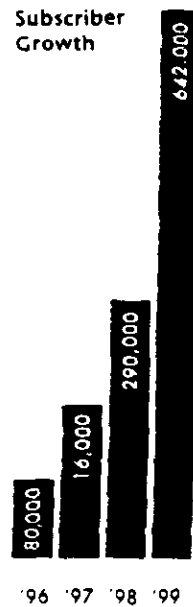
EBITDA \$M



NPAT \$M



Subscriber Growth



## Vital Statistics

Total Tolling Customers	642,000
GSM Subscribers	230,000
Fixed Wire Tolling Subscribers	344,000
One.Net Subscribers	58,000
Other	10,000
One Card Outlets	5,000
Global Employees	1,200



## One.Tel Board of Directors

John Greaves	Non-Executive Chairman
Jodee Rich	Joint Managing Director
Bradley Keeling	Joint Managing Director
Rodney Adler	Non-Executive Director
Steven Gilbert	Non-Executive Director
Lachlan Murdoch	Non-Executive Director
James Packer	Non-Executive Director
Mark Silbermann	Finance Director

## Contents



One.Tel is a highly competitive, profitable global telephone company with over 600,000 customers worldwide. The company is firmly established in the worldwide telecommunications market, with exciting prospects for the future. One.Tel's strategies are customer driven and focused on the provision of innovative, quality telecommunications services at reduced prices. These services include GSM mobile, national and international long distance calls, Internet services and Phone Cards.



# Letter to Shareholders



Dear Shareholder,

It gives us great pleasure to present our 1999 Annual Report.

In future years One Tel will look back on this past financial year as one of the most significant in the company's history. It saw us achieve a number of strategic milestones in a systematic program aiming for long term sustainable growth.

One Tel began the year as an emerging carrier with a solid Australian business and start-up operations overseas. We have ended it as a much larger global enterprise in the markets we have entered, representing a significant competitive force in the telecommunications industry.

One Tel is now licensed as a national carrier in Australia and has begun the process of building a national GSM 1800 mobile network. The significance of this step cannot be overstated. We believe our position in Australia's lucrative digital mobile market is now assured.

Growth can be measured in a number of ways. As a customer-driven, profitable company we choose to measure our growth by positive increases in customer numbers, revenue and EBITDA. This financial year has seen our customer numbers grow from 290,000 to 642,000 and our earnings (EBITDA) increase from \$10.6 million to \$25.2 million, representing an increase of 139%.

Shareholders would be well aware of One Tel's new strategic alliance formed in February this year with two of the world's leading media groups, News Limited and Publishing and Broadcasting Limited. We would like to take this opportunity to welcome these two leading edge organisations to the One Tel family. The synergistic benefits to One Tel are substantial and far-reaching.

None of the past year's successes could have been achieved without the support of our existing and new shareholders, employees, suppliers and customers. We are grateful to them every day.

In the next twelve months, One Tel will strive to achieve its two key objectives: to become one of the largest GSM mobile carriers in Australia and through our international expansion, further establish the company as a significant player in the global long distance residential market.

One Tel is an innovative, exciting, flexible company full of energy and enthusiasm for the future. The global communications industry is set on fast forward. One Tel is matching the pace, taking full advantage of every opportunity it presents.

We appreciate the confidence you have shown in our Company by entrusting us with your investment.

Yours sincerely,

John Greaves  
Chairman

# Managing Director's Report

In the past year One.Tel's global operations have both consolidated and experienced significant expansion. While achieving strong business and financial growth, we believe we have established a solid foundation for the company's future.

The company's strong results are clearly demonstrated by the substantial increase in subscriber numbers. For example, One.Tel's national and international tolling, long distance global customers now number over 340,000. We have opened a new office in Zurich, expanded our London, Paris and Amsterdam operations and will shortly be operational in Frankfurt. One.Tel's Phone Cards are now sold at 5,000 outlets worldwide.

The other side of the globe saw One.Tel's Australian operations continue to go from strength to strength. The most notable event of the past twelve months began in September 1998, with the strategic purchase of GSM 1800 mobile spectrum.

In April 1999, following months of due diligence, Lucent Technologies was selected for the rollout of One.Tel's GSM Phase 2+ mobile network in Sydney and Brisbane. We anticipate vendor negotiations for the remaining Australian cities - Melbourne, Adelaide and Perth to be completed this year. That same month the Australian Communications Authority (ACA) granted a carrier licence to One.Tel GSM 1800 Pty Limited. This licence allows One.Tel to become a fully fledged Australian carrier.

The global telecommunications industry is undergoing profound change. The 1998/1999 financial year has been a pivotal one as we have capitalised on the many opportunities resulting from those changes:

- Our operations have undergone considerable geographic expansion. One.Tel now has offices in 7 countries serving over 642,000 customers.
- We have moved rapidly to secure licences to operate directly in many of these markets.
- The strength of our global organisation has become apparent as we have consolidated our expertise in areas such as network management, carrier relations, product development and information technology in order to serve all our markets.

Strong revenue growth and building shareholder value remain key priorities. We continuously strive to maintain gross margins through the reduction of our operating costs.

As we enter the new millennium One.Tel aims to continue to improve its financial and business performances. With the proven ability of our management team and the dedication of our employees, we are confident of our capability to continue our rapid expansion and strong financial growth.



Bradley Keeling  
Joint Managing Director

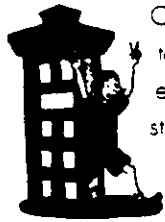


Jodee Rich  
Joint Managing Director



# Company Snapshot

## Company Profile



One.Tel is a highly competitive, profitable, third generation global telephone company with over 642,000 customers worldwide. Since its establishment in 1995, the company has gone from strength to strength. One.Tel is now firmly established in the worldwide telecommunications market through the growth of its international operations, with exciting prospects for future expansion.

"Customer first, not cable" is the phrase which perhaps best encapsulates the One.Tel vision. Since inception, One.Tel has been committed to building strong, long term relationships with its customers. During this period of strong growth, we remain a genuine people focused company.

## Company History

May '95	One.Tel commenced trading as an Optus service provider.
Aug '95	7 500 GSM mobile customers.
Sep '95	Melbourne and Brisbane offices opened.
Jun '96	75,000 GSM subscribers.
Jan '97	Perth office opened.
Apr '97	One.Net product launch.
Jun '97	159 000 GSM subscribers.
Jul '97	National and international long distance product launch in Australia.
Nov '97	One.Tel listed on Australian Stock Exchange.
Feb '98	National and international 1478 long distance product launch in Australia.
Aug '98	London office opens.
Oct '98	Paris office opens.
Dec '98	Hong Kong office opens.
Dec '98	Amsterdam office opens.
May '99	Zurich office opens.
Oct '99	Frankfurt office opens (planned).



## 1998/1999 Financial Year Milestones

Aug 4 '98	F/Y 97/98 results: Revenue \$210 million, EBITDA \$10.6 million and NPAT before dividend \$5.9 million.
Sep 10 '98	One.Tel acquires One.Net and One.Card.
Sep 15 '98	One.Tel purchases GSM 1800MHz spectrum and plans national GSM network for Australia.
Nov 2, '98	One.Tel issues \$5 million convertible note.
Nov 9, '98	One.Tel issues second \$5 million convertible note.
Dec 11 '98	Consolidated Press Group buys 16.3 million One.Tel shares.
Dec 16 '98	One.Tel issues \$US30 million convertible note to Gilbert Global Equity.
Feb 8, '99	One.Tel declares interim revenue of \$150.7 million and EBITDA of \$9.4 million.
Feb 12 '99	News Limited and Publishing and Broadcasting Limited purchase 40% of One.Tel (20% each).
Apr 7 '99	One.Tel awarded full carrier licence.
Apr 19 '99	One.Tel selects Lucent Technologies as GSM 1800 network vendor for Sydney and Brisbane
Apr 21 '99	One.Tel signs first Memorandum of Understanding for inter-carrier roaming.
May 1 '99	GSM 1800 mobile network roll-out commences in Sydney
May 26 '99	One.Tel signs second Memorandum of Understanding for inter-carrier roaming.
Aug 13 '99	F/Y 98 '99 results: Revenue \$332 million, EBITDA \$25.2 million and NPAT before dividend \$7.0 million

## Top 10 Largest Shareholders

Kalara Investments Pty Limited	35.97%
Roadshow Pty Limited	18.68%
Laterra Pty Limited	18.68%
Cavalane Holdings Pty Limited	8.50%
Dorigad Pty Limited	4.32%
Coastream Capital LLC (now Rader Reinfrank & Co. LLC)	3.41%
FAI General Insurance Company	2.55%
Truegrip Pty Limited	1.81%
Two Gables Pty Limited	1.15%
Inkwele Pty Limited	0.71%

NB. Kalara, a major shareholder associated with Jodee Rich and Bradley Keeling controls the voting rights of Cavalane Holdings' and Dorigad's shareholding. Therefore Kalara retains voting control of the company.



# Company Snapshot

## Board of Directors

### JOHN GREAVES

#### Non-Executive Chairman

John Greaves has been the Chairman of One.Tel since May 1995. John was Finance Director of John Fairfax Holdings Limited, a position from which he announced his retirement effective 30 June 1999. Prior to joining Fairfax he was Chief Financial Officer of Optus Communications (now Cable & Wireless Optus).

John is a Director of Reckon Limited, Spike Networks Limited and Associate Member of Australian Society of Accountants.

### JODEE RICH

#### Joint Managing Director

Jodee Rich has been involved in technology associated industries since 1980. He founded and took public the Imagineering, Tech Pacific Group, one of Australia's largest information technology companies. He left the company when it was sold in 1990. From 1990-1994 Jodee studied and researched nanotechnology and molecular biochemistry. Jodee holds a Bachelor of Economics and a Bachelor of Science. He has completed the Wharton Senior Executive AMP Program.

### BRADLEY KEELING

#### Joint Managing Director

Bradley Keeling has extensive experience in marketing and business management. He was Marketing Director of Franklin Mint in the early 1980's. He then took up a position as National Marketing Director of Imagineering Technology Limited. During that time he also served as the General Manager of Imagineering Telecommunications Pty Limited. In 1991 he joined Strathfield Car Radios and until early 1995 was the company's Managing Director.

### MARK SILBERMANN

#### Finance Director

Mark Silbermann joined One.Tel in February 1997. His areas of responsibility include Finance and Operations. Mark is a chartered accountant and a member of the South African Institute of Chartered Accountants. Prior to joining One.Tel, he was Finance Director of Cluttons London Residential Agency Limited (now Hamptons International), a London based real estate and property development company.

### RODNEY ADLER

#### Non-Executive Director

Rodney Adler is Chairman and Chief Executive Officer of Adler Corporation Pty Limited. He has a Bachelor of Commerce from the University of New South Wales, a Master of Economics from Macquarie University and is a member of the Institute of Chartered Accountants in Australia. Rodney is a Governor of the Sydney Institute, a Director of the Insurance Council of Australia Limited and a Member of the Business Council of Australia.



**STEVEN GILBERT**  
Non-Executive Director

Steven Gilbert has over 25 years experience in private equity investing, investment banking and law. Steven holds a Bachelor of Administration from the Wharton School at the University of Pennsylvania, a J.D. from the Harvard Law School and an M.B.A. from the Harvard Graduate School of Business Administration. Steven is a director of Star City Holdings Limited, NFO Worldwide Inc., Veritas Inc., Terra Nova Insurance Co. Ltd. and The Asian Infrastructure Fund.

**LACHLAN MURDOCH**  
Non-Executive Director

Lachlan Murdoch is Chairman and Chief Executive of News Limited and Senior Vice President of News Corporation. His responsibilities include News Limited's operations in Australia and News Corporation's US-based print businesses. Lachlan is a director of The News Corporation Limited, News Limited, Queensland Press Limited, The Herald & Weekly Times Limited, Foxtel Limited and Star Television Limited. He was educated in the United States and holds a BA in Philosophy from Princeton University. Lachlan is a Trustee of the Board of the Art Gallery of New South Wales, a member of the Children's Cancer Institute Corporate Citizens Committee and a member of NIDA Project Committee.

**JAMES PACKER**  
Non-Executive Director

James Packer is Chairman of Publishing and Broadcasting Ltd and Chief Executive Officer of Consolidated Press Holdings Limited. He is involved in the management and monitoring of the major assets of the group, including magazine publications, television and pastoral interests. James is a director of Consolidated Press Holdings Limited, Publishing and Broadcasting Limited, Huntsman Corporation Inc., NineMSM Pty Limited, MTM Funds Management Limited and Foxtel Limited.

## One.Team

A large proportion of One.Tel's success can be directly attributed to our "One.Team", many of whom have been with us from the early days.

The One.Team includes both experienced professionals from the telecommunications industry and specialists in disciplines far removed from that category. Team members are selected based on experience, people skills and enthusiasm. One.Team is a vital factor in the continued success of One.Tel.

## Beliefs and Values

One.Tel's beliefs and values form the foundations of our successful business.

Effective teamwork is a core value shared by One.Tel staff throughout the world. The company maintains a flat structure which allows staff to work together without the constraints of traditional hierarchies. Information is shared freely. There are no titles and all staff work for a common goal.

The One.Tel 'Trading Places' program further demonstrates our commitment to our people. This global program gives staff members the opportunity to move to other teams or locations within the company and offers an array of benefits including:

- Multi-skilling of our valuable employees
- Cross pollination of our culture through our global 'trading places' program
- Development and growth of individuals' abilities
- Consistency in all our international offices.

All One.Tel offices feature a unique, colourful, open-plan design without artificial barriers. Visitors are struck by the buzzing and energetic multicultural environment and the enthusiastic attitude of the One.Tel team. We constantly strive to maintain and strengthen this unique company culture throughout the world. We consider it to be fundamental to our continued success.

# Key Strategies

## Strategic Alliances

One.Tel is committed to forming alliances with successful, like-minded organisations which help us achieve our long term strategic goals. Following are two mutually beneficial alliances formed over the past year.

### 1. PBL/NEWS LTD ALLIANCE

In February 1999 One.Tel formed a strategic alliance with two of the world's leading media groups, News Limited and Publishing and Broadcasting Limited (PBL). The two companies agreed to acquire shares and options to take their investment to approximately 20% each of One.Tel (fully diluted). The terms of the deal include the issuing of shares and options. The initial injection was \$430 million. One.Tel issued News Limited and PBL 30 million shares each at \$7.15 (this was the price prior to the 10 for 1 share split). The two media groups also receive 140 million options exercisable at \$1.00 to bring their take-up combined interest in One.Tel to 40%. The deal will add \$710 million over 3 years to One.Tel's already strong cash reserve base. This will provide important capital for expansion without cash flow constraints.

One.Tel's partnership with News Limited and PBL is widely considered a 'marriage made in heaven'. By converging the mediums of voice, data, video, print

and electronic press, a number of synergies have been made possible including:

#### a) Marketing Opportunities

News Limited and PBL are among the world's most sophisticated consumer marketers communicating with millions of consumers on a daily basis. The alliance offers One.Tel access to this much sought after global audience through cross-promotional and joint marketing activities. Furthermore, branding and licensing opportunities will be available identifying One.Tel with high profile brands such as Fox and Channel 9.

#### b) Content

News Limited and PBL are two of Australia's leading content providers. The strategic alliance provides One.Tel with a fantastic opportunity to differentiate its mobile phone products by offering a range of additional content features. By linking to output from News/PBL and distributing this information over One.Tel's new GSM 1800 digital network One.Tel mobile customers will enjoy value-added features such as news, sports news, weather, horoscopes, entertainment and more. This will represent an important edge for One.Tel in the highly competitive mobile phone market.

# One.Tel gains GSM licence Tycoons link up on phone

By LYNDALL PICKERING  
SYDNEY

The telecommunications carrier One.Tel said yesterday it had been granted a licence to operate a GSM, or digital global network for mobile phones, by the Australian Communications Authority.

and Vodafone Australia, a unit of Vodafone Group plc.

"This second-generation GSM network will provide Australian mobile users with an enhanced, competitive alternative to the current GSM mobile carriers," One.Tel said.

Mr Rupert Murdoch's News Corp and Mr Yoram Ben-Zur's

network, and aims to have 500,000 customers by the end of 2001. One.Tel also offers international and national long distance telephone services.

One.Tel shares were unchanged at \$9.70 yesterday before the announcement, which was made after the market

By GREGG GIBSON  
YOUNG media & communications  
London, NSW

## 2. LUCENT TECHNOLOGIES

In April 1999 One.Tel formed a strategic partnership with Lucent Technologies for the design, development, and support of a state-of-the-art GSM 1800 network. The landmark contract is valued at \$438 million over five years and is vendor financed over a ten year period.

Partnering with Lucent for network development and support will allow One.Tel to focus on expanding its core businesses in a highly competitive market.

The selection of Lucent Technologies followed months of thorough evaluation by a team of internal experts and world-class international consultants. Lucent was chosen because of the company's ability to meet One.Tel's stringent objectives and key performance indicators including superior technical expertise and experience and flexibility in delivering and supporting solutions. The alliance is significant for Lucent both as testimony to their capabilities and as reinforcement of their growing presence in the Australian market.

On completion the new network will not only provide comparable coverage and quality to the incumbent networks but will also enable One.Tel to offer customers the most advanced value-added features and latest user applications. (For further details regarding the network launch see page 18).

## Low Cost Production

Wherever possible, One.Tel achieves economies of scale by deploying intelligent, seamlessly linked systems. Regular analysis of company procedures identifies new ways to enhance the flow of information, allowing us to service our customers more efficiently.

## Customer Focus

We make it our business to know and understand our customers' needs. By monitoring the changing needs of our growing subscriber base, we can develop tailored telephony products and services that meet their demands. We have developed a host of integrated information systems designed to service our customers more effectively.



One.Tel  
shines  
amid  
slump

Telco seals \$709m deal with News, PBL

# Now One.Tel's mobile

ROFF BLUNT  
PUBLISHED  
O TOWNS

PRECOND-ter told One-  
Tel is close to finalising a  
deal with Lucent Techno-

# Key Strategies

## Seamless Global Operation

To manage the company's considerable expansion a number of sophisticated global control systems have been developed. One Tel's primary goal is to acquire customers at least cost. Following are some examples of systems which monitor our success in meeting this key objective.

- a) "One Sys" is the company's internally developed customer care and billing system and has now been developed on the Internet using a web browser. This development has given us the ability to log onto group databases anywhere in the world which has resulted in the creation of a virtual international call centre, providing a seamless service for our subscribers. For example, it is not unusual for a UK customer registration to be handled by a customer service representative in our Sydney call centre.
- b) One Tel's global, web based "Key Performance Indicator" (KPI) reporting system allows the One Tel team to track the performance of our global business on a daily basis from any location in the world. Real time statistics are available on fundamental indicators such as customer numbers, number of calls and minutes, average spend and revenue.
- c) Operations web sites record each country's daily statistics. This invaluable information allows the team to make necessary real time adjustments (for example marketing spend or call routing) to ensure adherence to business plans.
- d) Marketing and financial databases can be accessed from any country, at any time. This allows our global marketing team, for example, to evaluate campaigns on a real time basis, which ensures among other benefits close monitoring of daily customer acquisition costs.
- e) Centralised fraud, audit, finance and treasury systems contribute to the highly monitored and therefore smooth operation of our global business.



# Marketing

## Marketing Communications

One Tel is developing a well deserved reputation as a skilled and highly successful consumer marketer. One Tel is aiming to position itself as a solid, reliable and dependable provider of mobile telephone services.

One of the company's greatest marketing assets is the One Tel brand which is used and recognised in the markets it operates around the world. One Tel's brand identity is fresh, original and modern. All One Tel marketing communications are carefully developed to maintain (and build) this unique brand identity. One Tel's successful marketing formula is now applied in telephone markets around the world.

One Tel's unique and creative promotions are tailored to appeal to specific customer needs. This year has seen the introduction of a variety of new high profile marketing campaigns. One Tel's marketing campaigns proved extremely successful bringing in results that many companies would like to achieve. For example, in the first month of the Don't Miss the Taxi campaign in London, over 57,000 customers registered to use our United Kingdom 0878 national and international prefix dialling code.

## Distribution Strategies

One Tel employs a variety of direct and indirect distribution channels including:

### 1. DIRECT SALES

Customers can subscribe to One Tel's products and services by

- telephoning any of One Tel's Customer Service Call Centres
- responding to regular direct mail campaigns
- responding to regular out-going telemarketing campaigns
- visiting One Tel's internet e-commerce website [www.onetelshop.com.au](http://www.onetelshop.com.au)

Many products (eg. digital camera deals) can be purchased over the internet.

### 2. DEALER NETWORK

A network of dealers and retail outlets distribute One Tel products such as GSM mobile, internet, phone cards and prepaid products and services.





# Marketing

## Cross Selling and Retention Programs

Building strong, long-term relationships with customers is an important marketing objective. We consider that we have set new industry standards with our retention programs for One.Tel products. For example, all GSM mobile customers nearing the end

of their contracts are offered a range of rollover mobile phone plans designed to complement their average monthly call spend.

Cross selling initiatives have proved to be very successful – a large percentage of our total customer base has demonstrated their satisfaction by subscribing to multiple One.Tel products.

**DE VRIJHEID VAN 7 DAGEN PER WEEK**

**GRATIS AANMELDEN**  
0800-235-1658  
WWW.BEL1658.NL

**One.Tel**

**BELLEN MET ONE.TEL DAT SCHEEFT DE WERELD!**

**One.Tel**

**One.Tel**

**One.Tel**

### THE NETHERLANDS

**GÜNSTIGE GESPRÄCHE - TAG UND NACHT**

**One.Tel**

**GÜNSTIGE GESPRÄCHE - BEINAHE SO GESCHENK**

**One.Tel**

**GÜNSTIG NLANDESGESPRÄCHE**

Fr. 0.145/Min. Normaltarif  
Fr. 0.075/Min. Niedertarif  
Fr. 0.056/Min. Nachttarif

**One.Tel**

**One.Tel**

**TELEFONATE BASSO PREZZO CON ONETEL**

**One.Tel**

### SWITZERLAND

**EXTREME DIGITAL DEALS**

**SAVE \$85!**

**AS LOW AS \$10 ACCESS PER MONTH**

**\$1**

**One.Tel**

**One.Tel**

**available here**

**with 10000**

**One.Tel**

**2.1c**

**1 MINUTE INTERNET ACCESS**

**One.Tel**

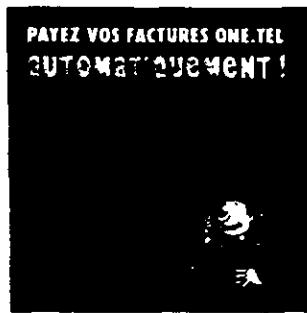
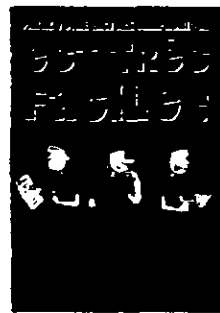
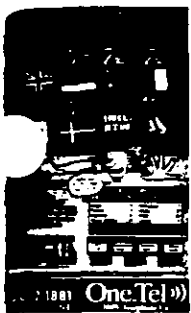
**DEALS**

**One.Tel**

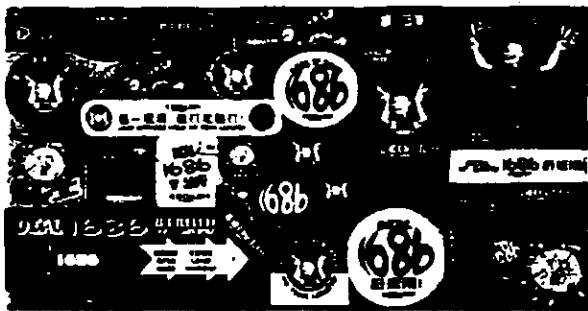
# Marketing Examples Worldwide



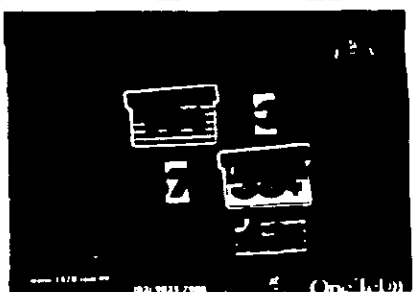
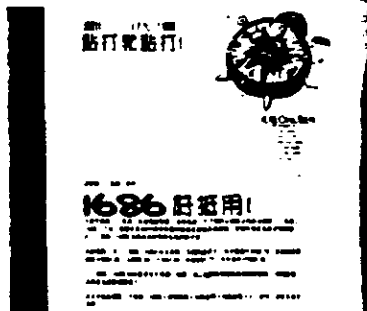
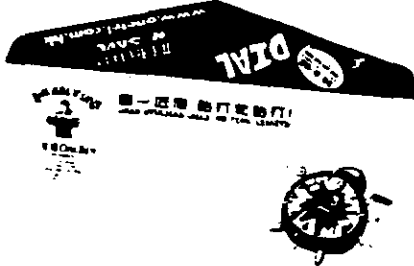
UNITED KINGDOM



FRANCE



HONG KONG



# Product Development

## Product Development Philosophies...

One.Tel takes a customer focused demand-driven, flexible approach to product development.

We respond promptly to marketplace changes and leverage the established infrastructure to move our voice traffic around the world. Our sophisticated information systems allow us to fast-track new product development to remain competitive in the global market.

Our aim is to demystify the telecommunications industry with innovative products that consumers find easy to use and understand.

One.Tel's telephony products are non-language dependent and customised to suit local cultural environments.

## Digital Mobile

### BACKGROUND

One.Tel originally went to market as a digital mobile "service provider" in Australia. In April this year, the Australian Communications Authority (ACA) issued One.Tel a full carrier licence. One.Tel has commenced the roll out of a national GSM 1800 mobile network which will not only secure the future of One.Tel's 230,000 GSM subscribers but will offer Australian mobile consumers a competitive alternative to existing mobile carriers.

### THE NEW NETWORK

Over the next five years One.Tel, in partnership with Lucent Technologies, intends to build a GSM 1800 Phase 2+ national mobile network with a 2.5 million subscriber capacity.

Together, Lucent and One.Tel intend to build the most sophisticated GSM 1800 mobile network in Australia, incorporating the very latest advances in product and network capabilities. This will include site acquisition, in-building coverage, quality monitoring and GSM 1800 mobile network optimisation. The new network will provide Australian mobile users with an enhanced, competitive alternative to the current carriers and position One.Tel as a major player in the Australian digital mobile market.

The network rollout in Sydney has commenced. The Sydney network will be launched in stages commencing in the first quarter of 2000.



## BENEFITS OF THE NETWORK

### 1. FOR CUSTOMERS

- "Feature rich" service eg. advanced applications such as news, sport, weather, stock quotes, horoscopes, booking tickets and personal alerts
- Location Based Services providing personalised tariffing and information by location
- More competitive pricing.

### 2. FOR ONE.TEL

- Far greater control of our cost base, resulting in increased revenue and profitability
- Dramatic gross margin increase
- Opportunities for further product development eg. enhanced voice and data applications.

## WHY GSM?

One Tel chose to build a "Global Systems for Mobile" (GSM) network because not only is GSM predominant in the Australian market, it is also the defacto standard of the world. There are currently over 170 million GSM users worldwide. Furthermore, because GSM has wider penetration, the available handsets are the newest, smallest and most popular.

## WHAT HAPPENS WHEN CUSTOMERS GO OUTSIDE THE ONE.TEL NETWORK?

It's vital that One.Tel customers experience seamless service when they go outside the geographical boundaries of One.Tel's network.

One.Tel is currently negotiating national Inter-carrier Roaming agreements with existing GSM carriers, which will allow callers to automatically switch to other networks, wherever necessary.



## FURTHER SPECTRUM\* PURCHASE

Another opportunity for One.Tel is the Australian Communications Authority's (ACA) recent decision to release for auction the remaining 30MHz of paired spectrum in the 1800MHz band. The auction will be held in early 2000 and will allow One.Tel (with the purchase of additional spectrum), cost-effective further development of its network.

\*GSM Spectrum is a term used to describe the radio frequencies that transmit digital mobile phone calls. The purchase of GSM\* Spectrum allows us to connect digital mobile customers to our own national network, rather than the Optus network.



# Product Development

## Long Distance Calls

One.Tel's long distance services have been embraced by customers in all markets we have entered throughout the world. We currently service over 340,000 tolling customers in three major regions around the world. In July 1999, over 120,000 new subscribers registered for our long distance service. We are now strategically positioned in a number of international long distance telephony markets. This success can be attributed to the application of One.Tel's systematic and consistent formula in every new market we enter.

### BACKGROUND

Eighteen months ago One.Tel identified the opportunities presented by sweeping global deregulation and commenced expansion into key international markets. Switching facilities were established in London, Paris, Amsterdam and Hong Kong in 1998, followed by Zurich in 1999. Installation in Frankfurt is planned prior to the end of 1999. These facilities provide complementary connectivity to switches already located in Australia.

We are proud to say that we have made significant inroads into these international markets and in many cases over-achieved our original goals.

### THIS ACCOMPLISHMENT CAN BE ATTRIBUTED TO A NUMBER OF FACTORS:

- Our experienced global management team which concentrates on achieving exceptional sales and revenue growth
- One.Tel's information systems which underpin our ability to react rapidly to changing market environments
- One.Tel's carrier relationships with more than 40 carriers in 7 countries. One.Tel customers voice and data is moved around the globe via satellite systems and fibre-optic undersea cabling systems
- Our focussed international strategy and marketing know-how have positioned One.Tel to take advantage of current and future worldwide market opportunities.



## ONE.TEL'S GLOBAL NETWORK IS DESIGNED TO MEET SEVERAL CHALLENGES NAMELY:

- Supporting existing customers
- Anticipating traffic growth as a result of One.Tel's increasing reach
- Minimising operating and capital costs.

One.Tel's network has international gateway switches located in Sydney, Melbourne, London, Amsterdam, Hong Kong, Paris and Zurich. We aim to add another international access point in Frankfurt before the end of 1999.

### INTERCONNECTION

Telecommunication regulators around the world regard "interconnection" as vital for competition and consumer choice in the long distance telephony market.

Interconnection is a more cost effective and efficient way for One.Tel to provide least cost long distance calls by gaining more direct access to the incumbent's network. This not only results in improved gross margins, but allows us to offer more competitive rates to our long distance customers. We have completed and signed interconnect agreements in the UK, France, the Netherlands, Switzerland, Hong Kong and Germany. Technical requirements for the majority of countries have been met with Hong Kong up and running. We expect interconnection for all other countries except the Netherlands, to be completed later this year.

### PRESELECTION

Preselection allows customers to select One.Tel as their preferred carrier for national and international long distance calls from their home or business phone. In most countries this also includes calls made from a fixed line phone to a mobile phone. Preselection means that customers no longer need to dial a prefix or override code prior to dialling a long distance number to access One.Tel's competitive rates. This standard regulatory mechanism is now available in Australia, Germany and Switzerland and is expected to be introduced in the UK, France and the Netherlands in early 2000. One.Tel aims to offer preselection to its customers where available in the markets it has entered.

### SWITCH INSTALLATION

Incoming calls to One.Tel are currently routed through switches strategically located around the world. These calls are then routed through the carrier offering the best rates to the required destination. This process is known as least cost routing. One.Tel customers are offered the best possible rates because among other efficiencies, we also have the ability to choose between multiple carriers. One.Tel has no minimum call requirements with the carriers used.



# Product Development

## Fixed to Mobile

With more than five million mobile services in operation throughout Australia, fixed line calls to mobiles amount to around 3 billion minutes per year. This translates to a market of more than one billion dollars per year.

In August 1999 the ACA made the decision to open up the "fixed to mobile" market i.e. calls from fixed line phones to mobiles. The decision is expected to provide consumers with all the benefits of increased competition, such as greater choice and competitive pricing.

Previously, fixed to mobile calls automatically went through the consumer's local call provider. Now, consumers can "preselect" a telephone company to automatically provide all their fixed to mobile, national long distance and international calls. Alternatively, they can choose different carriers on a call-by-call basis, by dialling an override code before making a call.

One.Tel is taking full advantage of the competitive opportunities offered by this development. An advertising campaign has been launched, offering an extremely competitive "fixed to mobile" rate to all customers who preselect One.Tel.

## Prepaid Services

One.Tel is preparing to launch prepaid mobile and prepaid Internet products – both of which have been phenomenally successful in the UK, European and New Zealand markets. Prepaid products are popular with consumers because of their simplicity and cost control benefits. Customers know exactly what they're paying upfront. One.Tel's acquisition costs are low and no bad debts are incurred.



## Internet Services



One.Net is One.Tel's Internet company. From a 'standing start' in April 1997, we have built a client base of over 58,000 active users and that base continues to grow each month. In July 1999 over 10,000 new customers subscribed to our service. More than 33% of new subscribers come from customer referrals.

One.Net's focus is on fast and reliable access and customer care. We offer a wide range of Internet access plans tailored to suit customer needs. For example:

- Our 2.1¢ per minute plan allows customers to pay only for what they use with no set-up fees or minimum term contracts. It is an ideal option for email users only and occasional web browsers.
- Dial-in plans for small business customers, web page design and domain name registration.
- Tailored Internet packages for medium to large corporate customers which include additional options such as domain name registration and home page hosting.

One.Net aims to maintain a policy of only deploying the very latest and very best hardware, software and trunk service technologies. This policy of excellence is evident in One.Net's use of Cisco Systems high end products for each router and switch connection. We also use Sun and Digital hardware and software for our server and proxy implementations.

We have maintained high standards of excellence in our initial roll-out and ongoing upgrading of the multiple bandwidth connections to key national and international Internet access points. We were an early client of Optus when they offered a major Australian Internet link as an alternative to Telstra and we also established links to other major Australian ISPs to ensure the shortest possible access paths to Australian sites.

Our satellite solution is a significant ongoing investment, providing multiple redundancy and a diversity of Internet paths for inbound and outbound traffic. It reflects our determination to control all aspects of the quality of service we offer, while remaining a low cost producer.

Our future plans for bandwidth, hardware and software are based on maintaining the highest level quality of Internet service as measured by response time, reliability and security.





# Product Development

## Phone Cards



One.Card, One.Tel's prepaid phone card business, complements our fixed wire long distance call business. By offering cheap long distance calls to people on the move, as well as from their homes and offices, we are positioned as offering a "total long distance solution."

Travellers, particularly backpackers, choose One.Card products for cheap, convenient long distance calls both within Australia and to over 240 international destinations.

We are now firmly established as one of Australia's largest pre-paid phone card providers. Our Phone Cards are sold in over 5,000 retail outlets globally.

Phone cards are ideal for dual promotions. For example One.Card has successfully partnered with high profile organisations such as Taronga Zoo, Volleyball Australia and Surfing Australia. One.Card donated a percentage of sales to Taronga Zoo as part of a successful community awareness program.

One.Card provides One.Tel with access to retail markets we would otherwise find difficult to penetrate. We are leveraging this opportunity by marketing other prepaid Internet and pre-paid mobile phone products.

## Local Calls

In July 1999 the Australian Competition and Consumer Commission (ACCC) announced a landmark decision with significant ramifications for the Australian telecommunications industry. The decision mandates access to Telstra's local network. It allows competitive carriers direct access to the copper lines that connect customers to local telephone exchanges.

This means One.Tel will in future be able to offer both local and fixed to mobile calls to complement our existing long distance products, as well as advanced high-speed services to customers at lower prices. The decision also has long term implications for the emerging high bandwidth services on which e-commerce, education and entertainment will increasingly rely on into the next decade.

While the extent of price declines cannot be predicted exactly, the ACCC expects that based on the decision, local call prices will begin falling over the course of the next year. It is expected local call prices will generally be below 20 cents in two years.



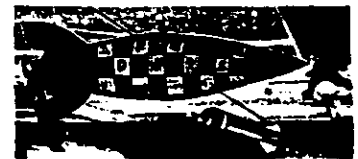
## Corporate Services

One.Tel has established a successful corporate operation in Sydney and Melbourne. The objectives are to offer local corporate customers the same innovative delivery and reduced telephony costs enjoyed by residential consumers. One.Tel offers corporate clients a full range of telephony, data and Internet services at costs substantially lower than those offered by established carriers, without compromising quality of performance.

These services are offered either via the customer's current Telstra public switched network lines or by dedicated Telstra lines that link the customer directly to the closest One.Tel switch. Where direct connections are used One.Tel provides and maintains the connection equipment and project manages the installation and transfer from the previous carrier/service providers' services.

During the past 12 months One.Tel has successfully developed a highly competitive suite of products and the processes to keep these products competitive on an ongoing basis. One.Tel has also used its skills in people management to build a competitive team of corporate salespeople.

As a result of these initiatives, the last 12 months has seen One.Tel develop a corporate customer base of over 1,000 commercial organisations with annualised revenues in excess of \$18 million. Their overall satisfaction with the quality and reliability of services provided by One.Tel is demonstrated by our impressive retention rate.



# Technology



The strategic objective adopted by management when the company commenced was to use 'best of breed technology' as a tool to co-ordinate the business. To achieve this long term commitment, One.Tel deploys open architecture technology on its global networks.

All One.Tel information management systems are designed and built in-house using a common, integrated, scalable Unix platform. This results in reduced costs, flexibility and also enables the effective deployment of new products across our platform, as they become available.

One.Tel's open architecture network aims to use the latest Asynchronous Transfer Mode (ATM) and Internet Protocol (IP) to move our carrier grade voice and data traffic around the world. We aim to deploy the latest generation of products so that our customers can enjoy the benefits of the new converged world wide networks that are making more efficient use of the established information highways.

Our systems also allow us to compress voice and data resulting in substantially reduced costs. Our switches are programmable, allowing us to customise applications to suit each country's call flow.

## The One.Tel Global Network Operations Centre

One.Tel's worldwide network is supported by a Global Network Operations Centre (NOC) located in Sydney. The NOC represents One.Tel's global monitoring hub and is designed to facilitate network optimisation, least cost routing and centralised traffic processing. This sophisticated centre delivers advanced network efficiency, security, fraud protection and superior control of One.Tel's switches around the world.

The NOC monitors the One.Tel network and all Points of Presence (POP) both in Australia and overseas. The NOC operates 24 hours a day, seven days a week.

A number of system tools are used to monitor the network, which identify faults or potential system errors and immediately notify network engineers for resolution in a set timeframe.



The NOC is also responsible for supporting One.Tel's Corporate customers. This is achieved by monitoring the permanent links between our corporate customers and One.Tel for our Internet and fixed wire products.

The visible topographical maps displayed in the NOC measure the connectivity of the network for all POPs and destinations. In addition the topographical representation monitors critical threshold levels and measures the service levels of switches, regional routers, server applications (and corporate customers).

## Performance Checks

System driven "performance checks" are regularly undertaken to measure the basic functionality of all One.Tel products worldwide. These checks monitor the following:

1. Switches - Ensure that customer calls are being switched and that information regarding call destinations is being collected for the generation of Call Data Records (CDR's).
2. Database functionality - Ensure correct customer authentication for all customers.
3. Physical environments of global computer rooms - Confirmation that air temperatures are functioning at optimal levels.
4. Phone Card platforms - Confirm that calls are being switched.
5. Customer Service - Ensure that all systems relating to customer service are functioning. For example Interactive Voice Response (IVR) platforms - and call overflow between countries.

## Monitoring Tools

The NOC uses a range of sophisticated tools to enable monitoring of basic connectivity between devices. These monitoring tools constantly monitor a number of system thresholds including:

- Disk space.
- Memory and
- CPU idle time.

## Year 2000 Program

The company has dedicated significant resources to the achievement of Year 2000 compliance. It has established and implemented plans designed to minimise the risks associated with the Year 2000.

One.Tel's compliance program has been and will continue to be reviewed by an independent third party. The company is testing all business applications, system software, networks and hardware platforms to ensure they will function appropriately at the turn of the millennium.

The total budget allocated for Year 2000 compliance is \$2 million of which an amount of \$1.4 million has been incurred up to 30 June 1999. This has been treated as abnormal expenditure for the financial year.

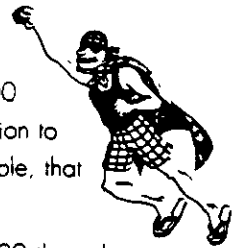
# Technology

## Year 2000 Program (cont.)

One.Tel is reliant on external parties, particularly telecommunication carriers and financial institutions in the delivery of its services to customers. Therefore, the company's operations may be significantly affected by the ability of external parties to comply with the Year 2000 date change. One.Tel has been, and will continue to work with all external parties in relation to Year 2000 compliance. The company will continue to obtain confirmation, as far as possible, that the systems of all external parties will operate effectively in the Year 2000.

Contingency plans have been put in place to minimise the potential impact of the Year 2000 through redundancy in hardware and software for key systems and the development of recovery plans and strategies for business critical systems.

The Board regularly reviews the progress of the company's compliance program.



# Telecommunications – Looking to the Future

## One.Tel's Position in a Wireless World

The information age has fast tracked the level of sophistication amongst consumers. Mobile phones are no longer considered to be a luxury item – they are a daily necessity. People are using wireless as anytime, anywhere communications and mobile phones are rapidly becoming an alternative to fixed wire services.

We believe that a whole range of communications like voice and data including the Internet, wireless and much more influence the telecommunications revolution. Until recently, voice has dominated our telecommunications networks, but increasingly more and more data is carried on these networks. The convergence of voice, data/Internet and video has commenced.

## Regulatory Environment

The vision of the Australian Communications Authority is to develop "An efficient, competitive and increasingly self regulated communications sector which meets the needs of the Australian community."

## Mobile Number Portability

Discussions on the implementation of Mobile Number Portability (MNP) commenced in September 1997. In March 1998, the ACA released a report outlining the functionality, cost and timeframe associated with a number of possible MNP solutions. The ACA's criteria for GSM number portability is to work in concert with the European Telecommunications Standards Institute (ETSI) to achieve a global standard.

In May 1999, the ACCC issued a discussion paper that identified the outstanding issues surrounding the implementation of MNP in Australia and the background material on those issues. The ACCC received comments on the discussion paper by 30 June 1999 and intends to make a final decision regarding MNP during the third quarter of 1999.



# Telecommunications – Looking to the Future

## Mobile Evolution

Second generation mobile technology was predominantly designed to support voice. The mobile landscape is now evolving, driven strongly by network vendors like Lucent Technologies who are focussed on developing standards, infrastructure and end to end applications that will enable high speed, wireless, data access and promote the growth of cellular multimedia devices.

Mobile phones can do everything that fixed wire networks can do, but at present the mobile user pays a premium for mobility. Statistics show that mobile phone users in many countries are approaching the number of fixed wire users. It is now widely agreed that although mobile networks are unlikely to compete effectively with fixed wire on delivering bandwidth, in the future, wireless will become the principal means of communication.

In the near future mobile phone services will be customised, allowing consumers to control what they receive and when they receive it. They will even be able to tailor the content of each service to fit their needs or geographic location.



# Concise Financial Report

FOR THE YEAR ENDED 30 JUNE 1999

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**One.Tel**  
100% Telephone Co.

One.Tel Limited (NZX: 5015) and Controlled Entities

This document, the Concise Financial Report, is a shareholders' document that is designed to give readers an easy-to-read concise summary of the activities and financial position for the year ended 30 June 1999. Further financial information can be obtained from the full financial report which is available to shareholders, free of charge, on request from the company. A copy may be requested by calling 61 2 9777 7227.



# Directors' Report

Your directors submit the financial statements of the parent entity and its controlled entities for the year ended 30 June 1999.

## Directors

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

Mr John H. Greaves

Mr Bradley W. Keeling

Mr John D. Rich

Mr Rodney S. Adler

Mr Steven Gilbert (appointed 12 April 1999)

Mr Lachlan Murdoch (appointed 29 April 1999)

Mr James Packer (appointed 29 April 1999)

Mr Mark A. Silbermann (alternate director for Bradley W. Keeling - up to 30 July 1999, when the Board resolved to appoint Mark Silbermann a director).

## Principal Activities

The principal activity of the economic entity during the financial year was the provision of telecommunications services.

No significant change in the nature of these activities occurred during the year.

## Operating Results

The consolidated profit of the economic entity after providing for income tax amounted to \$6,965,000 (1998: \$5,910,000).

## Earnings per Share

	1999 cents	1998 cents
Basic earnings per share	0.52*	5.6
Diluted earnings per share	0.51*	5.5

\*Current year figures quoted after 10 for 1 share split.

## Review of Operations

A review of operations of the economic entity during the financial year and the results of those operations show a 139% increase in earnings before depreciation, amortisation, interest, abnormal items and taxation over the 1998 trading results. Revenues also increased significantly from \$209.6 million to \$332.0 million - a 58% increase.

The results were largely due to strong growth in the fixed wire long distance and Internet business units in Australia and continued solid performance from the digital mobile business unit. Fixed wire subscribers in Australia grew from 41,000

to 180 000 over the 12 month period generating revenue of \$55 million for the year ended 30 June 1999.

One.Tel is now a global telecommunications company operating in seven countries on three continents around the world. Our United Kingdom office has been operating for only 9 months and already has 164,000 tolling subscribers and annualised revenue of \$37 million.

Total subscriber numbers from all global operations increased from 290,000 at the beginning of the year to 642,000 at 30 June 1999. We are currently registering new customers at the rate of 150,000 per month.

### **Dividends Paid or Recommended**

An unfranked interim dividend of 1 cent was paid in March 1999. A final unfranked dividend of 0.1 cent has been recommended for the year ended 30 June 1999. (The final dividend quoted after 10 for 1 share split.)

### **Significant Changes in the State of Affairs**

Significant changes in the state of affairs of the economic entity during the financial period were as follows:

- i) On 1 July 1998 One.Tel Limited acquired One.Net Pty Limited and One.Card Pty Limited.
- ii) In September 1998, the company purchased GSM 1800MHz spectrum in Adelaide, Brisbane, Melbourne, Perth and Sydney.
- iii) Controlled entities within the consolidated entity have entered into an agreement with Lucent Technologies Australia Pty Limited for the provision of a GSM network in Sydney and Brisbane. The financial commitment to Lucent is dependent upon implementation and acceptance testing of the GSM network. Upon successful implementation and testing, the consolidated entity will be obligated to pay Lucent under a vendor financing arrangement \$438 million over ten years.
- iv) On 15 February 1999, the company announced that Publishing & Broadcasting Limited and News Limited made an investment in the company amounting to \$710 million, consisting of shares and options.

### **Likely Developments and Results**

As recently reported, the company has announced it is pursuing a listing on the London Stock Exchange of parts of its business including the international and national long distance operations. At the date of this report, no appointment of a primary broker for the proposed float has been made.

Other likely developments in the operations of the economic entity and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the economic entity.

### **Directors' and Auditors' Indemnification**

During or since the financial year, the company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The directors have availed themselves of ASC Class Order No. 94/1701 in the disclosure of the nature of insurance cover and the amount of premium paid as it is prohibited by the contract itself.

# Directors' Report

CONTINUED

## Directors' Interests in Shares and Share Options

	Number of Shares Held	Number of Options Held
Kalara Investments Pty Limited (a company associated with Mr John D. Rich and Mr Bradley W. Keeling)	620,897,490	-
Dorigad Pty. Limited (a company associated with Mr James Packer)	74,682,190	33,333,330
Truegrip Pty. Limited (a company associated with Mr Bradley W. Keeling)	31,193,560	30,000,000
Two Gables Pty. Limited as trustee for Glowwine Investment Trust (a company associated with Mr Rodney S. Adler)	19,800,000	-
Inkwelo Pty. Limited (a company associated with Mr John H. Greaves)	12,300,010	-
Mr John D. Rich	6,666,670	-
Mr John H. Greaves	6,271,260	-
Bradley Keeling Management Pty. Limited	6,000,010	-
Bema Pty. Limited as trustee of the Aphex Investment Trust (a company associated with Mr Mark A. Silberman)	4,620,010	-
Life Cell Pty. Limited (a company associated with Mr John D. Rich)	108,510	93,333,330

## Directors' Interests in Convertible Notes

	Amount \$'000	Conversion factor
Dorigad Pty. Limited (a company associated with Mr James Packer)	5,000	3.125
Gilbert Global Equity Partners, L.P. (a company associated with Mr Steven Gilbert)	US\$ 30,000	2.857*

\*Subject to adjustment as set out in the terms and conditions

## Directors' Benefits

No director has received or become entitled to receive during or since the financial year, a benefit because of a contract made by the chief entity, controlled entity or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest, other than:

1999  
\$'000

Goods and services sold:	
FAI General Insurance Company Limited	90 <sup>1</sup>
Publishing & Broadcasting Ltd	89 <sup>2</sup>
Goods and services purchased:	
Publishing & Broadcasting Ltd	1,421 <sup>2</sup>
News Limited	810 <sup>2</sup>

<sup>1</sup> FAI ceased to be a related party on 23 September 1998.

<sup>2</sup> Publishing & Broadcasting Limited and News Limited became related parties on 29 April 1999.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in this report, or the fixed salary of a full-time employee of the chief entity, controlled entity or related body corporate.

## Directors and Executives Emoluments

Directors and executive remuneration and other terms of employment are reviewed annually by the Board having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages may include superannuation, retirement and termination entitlements, performance-related bonuses and fringe benefits.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the consolidated entity's diverse operations. Remuneration and other terms of employment for the Joint Chief Executive Officers, Finance Director and certain other senior executives are formalised in service agreements.

The Board within the maximum amount approved by the shareholders from time to time determines remuneration of non-executive directors.

Details of the nature and amount of each element of the emoluments of each director of One.Tel Limited and each of the five executives of the company and consolidated entity receiving the highest emoluments are set out in the following tables:

### Directors of One.Tel Limited:

Name	Base Pay \$	Bonuses \$	Non cash benefits \$	Superannuation \$	Total \$
John H. Greaves	50,000	-	-	3,500	53,500
Bradley W. Keeling	419,167	500,000	8,605	-	927,772
John D. Rich	419,167	500,000	8,605	-	927,772
Mark A. Silberman	250,000	175,000	7,205	-	432,205

Other directors have not received any remuneration either directly or indirectly.

# Directors' Report

CONTINUED

## Executives of One.Tel Limited:

Name	Base Pay \$	Bonuses \$	Non cash benefits \$	Superannuation \$	Total \$
Roland Cage	119,921	75,000	32,409	10,436	237,766
Andrew Gowans	126,000	50,000	8,602	-	184,602
Alicia Parker	70,346	10,000	-	5,549	85,895
Steven Hodgson	134,231	75,000	-	11,194	220,425
George Sawa	136,219	75,000	7,205	10,905	229,329

Elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

1. Base pay is calculated on a total cost basis for the year ended 30 June 1999.
2. Bonus payments reflect payments made in respect of performance during the twelve months ended 30 June 1999.
3. Non cash benefits are stated at cost to the company including Fringe Benefits Tax, where applicable.
4. Superannuation payments represent payments in respect of the superannuation guarantee levy. Any contributions made by an individual may be salary sacrificed, and are included in base pay.

## Share Options

Shares issued as a result of the exercise of options

During or since the end of the financial year, options have been exercised to acquire 4,333,334 shares in One.Tel Limited at a price of \$0.126 and 6,666,670 shares in One.Tel Limited at a price of \$0.0126.

Share options granted to directors

Options over unissued ordinary shares of One.Tel Limited granted during or since the end of the financial year to any of the directors of the company and consolidated entity as part of their remuneration were as follows:

Directors	Options Issued	Exercise Price	Expiry Date	Valuation
Bradley W. Keeling	25,000,000	\$1.00	29/04/2001	\$16,821,396
	5,000,000	\$1.00	29/04/2002	\$3,934,950
John D. Rich	35,000,000	\$1.00	29/04/2001	\$23,549,944
	25,000,000	\$1.00	29/04/2002	\$19,674,748

## Meetings of Directors

During the year 10 meetings of directors were held. Attendances were:

	Directors Meetings	
	Number eligible to attend	Number attended
Mr John H. Greaves	10	7
Mr John D. Rich	10	10
Mr Bradley W. Keeling	10	10
Mr Rodney S. Adler	10	7
Mr Mark A. Silberman	10	7
Mr Lachlan Murdoch	1	1
Mr James Packer	1	1
Mr Steven Gilbert	2	2

John H Greaves attended 4 of 7 meetings as non-executive chairman.

John D Rich was appointed chairman for 4 meetings.

Bradley W Keeling was appointed chairman for 1 meeting.

Mark A Silberman was appointed chairman for 1 meeting.

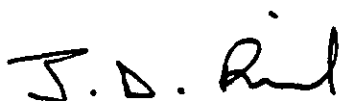
## Rounding of Accounts

The chief entity has applied the relief available to it in ASIC Class Order 98/0100 and, accordingly, amounts in the financial statements and directors report have been rounded to the nearest thousand dollars.

## After Balance Date Events

Matters arising after 30 June 1999 of significant nature have been detailed in Note 6 of the financial statements.

Signed in accordance with a resolution of the Board of Directors:



Mr John D. Rich  
Director



Mr Mark A. Silberman  
Director

Sydney, 16 August 1999.

# Statement of Corporate Governance

The Company is governed on behalf of the shareholders by its Board of Directors. The Board is responsible for ensuring that there are appropriate corporate governance practices in place and operates in accordance with the following principles to fulfil its responsibility.

## A. The Board

At present, the Board is comprised of eight members, including the three executive members of the Company, and five non-executive members. The members of the Board are introduced in more detail in the Directors' Report of this Annual Report. The Chairman of the Board, Mr John H. Greaves, is a non-executive director. The non-executive directors ensure that all issues which come before the Board are considered in an impartial manner, and from a variety of perspectives. The criteria for directorship are set out in the Company's constitution. Directors may be appointed by the Shareholders and by the Board to a casual vacancy. An election of directors must take place each year. All directors appointed by the Board, other than one of the Managing Directors, must submit themselves for election by the Shareholders at the next Annual General Meeting following their election. In addition, one third of the remaining directors must retire and may stand for re-election each year at the Annual General Meeting.

The Board is constituted on the following principles:

- the Chairman of the Board should be a non-executive director; and
- the Board should comprise directors with a broad range of experience in the telecommunications and other industries.

The Directors periodically review the composition of the Board to ensure that the members of the Board have the desired breadth of experience and expertise to govern the Company effectively and profitably.

## B. Board Procedure

- The Board met 10 times during the 1998/1999 year.
- It is the view of the Board that each member of the Board should be involved in all aspects of corporate governance.
- The Board as a whole monitors compliance with statutory responsibilities and accounting and financial control procedures to ensure the accounts and other records are accurate and reliable.
- The Board monitors compliance with the relevant ASX Listing rules and the Corporations Law governing disclosure to ensure relevant information is released to the market to allow investors to make an informed assessment of the company's prospects.
- The Board reviews business risk as part of its agenda. Risk assessment during the year concentrated on, but was not limited to, commercial performance, communications network reliability, Year 2000 information systems compliance and telecommunications industry regulatory issues and related government policy.

## C. Independent Advice

- The Directors are entitled to seek independent professional advice at the Company's expense to assist them in governing the Company in compliance with all applicable laws and regulations. Professional advice received by a member of the Board is made available to the other Board members.

#### D. Procedures for Establishing and Reviewing Compensation

- Directors' fees are determined by the Board within the aggregate approved by Shareholders. In considering the level of fees to be paid, the Board has regard to performance and comparable market rates.

#### E. Auditors and Audit Committee

- BDO Nelson Parkhill, the Company's Auditors, report directly to the Board on the appropriateness of the Company's internal accounting policies and practices.
- The Board reviews the adequacy of existing external audit arrangements each year, with particular emphasis on the scope and quality of the audit.
- Mr John H. Greaves (Chairman) and Mr Rodney S. Adler who are both non-executive directors of the company, meet subsequent to each Board meeting, to review and discuss all internal and external audit issues, accounting policy matters, financial disclosure requirements and make recommendations on matters relating to the Company's annual financial statements.

#### F. Ethics

- The Board's policy is that the Company and its employees must maintain high ethical standards in their dealings with the public and other members of the industry.
- The One.Tel Staff Policy sets out directives in relation to the conduct of the Company's employees and is discussed with each new employee as part of their induction.



## Discussion and Analysis

### OF THE PROFIT AND LOSS STATEMENT

Sales revenue for the group increased by 57% to \$326.0 million. This increase is largely attributable to strong growth in fixed wire long distance and in Internet subscribers and consistent growth in One.Tel's now mature GSM business. Revenue from international operations commenced in August 1998 and totalled \$23.5 million for the year ended 30 June 1999.

Earnings before interest, income tax, abnormal items, depreciation and amortisation (EBITDA) grew from \$10.6 million to \$25.2 million (139% increase). This increase is as a result of revenue growth and control over operating costs.

Depreciation and amortisation has increased due to amortisation of GSM customer acquisition costs, amortisation of losses on assets under finance lease arrangements and amortisation of goodwill created on the acquisition into the group of One.Card Pty Ltd on 1 July 1998.

Interest paid relates mainly to convertible notes issued in October and December 1998.

An amount of \$1.4 million in respect of expenses incurred on Year 2000 compliance has been shown as an abnormal item.

Net profit after tax increased from \$5.9 million to \$7.0 million (18% increase).

# Profit and Loss Statement

FOR THE YEAR ENDED 30 JUNE 1999

	Note	Consolidated	
		1999 \$'000	1998 \$'000
Sales Revenue		325,985	207,336
Other Revenue		5,998	2,276
<b>TOTAL OPERATING REVENUE</b>		<b>331,983</b>	<b>209,612</b>
Earnings before depreciation, amortisation, interest, abnormal items and income tax		25,206	10,552
Depreciation and amortisation		(12,333)	(2,119)
Net interest (expense)/revenue		(1,641)	414
Operating profit before abnormal items and income tax		11,232	8,847
Abnormal items	2	(1,400)	-
Operating profit before income tax		9,832	8,847
Income tax expense attributable to operating profit		(2,867)	(2,937)
Operating profit after income tax		6,965	5,910
Retained profits at the beginning of the financial year		5,102	1,485
Total available for appropriation		12,067	7,395
Dividends provided for or paid	3	(2,992)	(2,293)
<b>RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR</b>		<b>9,075</b>	<b>5,102</b>

The above consolidated profit and loss statement should be read in conjunction with the accompanying notes and discussion and analysis.

# Discussion and Analysis

## OF THE BALANCE SHEET

The group's net assets increased by \$334.9 million to \$363.0 million for the year ended 30 June 1999. A significant factor in this movement was the injection of capital during the period by News Ltd ("News") and Publishing and Broadcasting Ltd ("PBL").

Total assets have increased to \$526.0 million due largely to a cash balance of \$172.6 million and prepayments of \$151.4 million. The significant increase in these funds represents the proceeds of the News and PBL transaction referred to above with the majority of the prepayments balance relating to pre-paid advertising with News and PBL. Deferred expenditure relates mainly to business establishment costs and customer acquisition costs incurred in One.Tel's international operations. Receivables and fixed assets have increased in line with the growth of the business during the period.

Non-current assets have also grown due to creation of identifiable intangibles in respect of the acquisition of One.Net Pty Ltd and One.Card Pty Ltd on 1 July 1998.

The liabilities of the consolidated entity have increased as a result of business growth, new leasing arrangements on capital equipment, the non-equity component of convertible notes issued in the period and provision for deferred consideration on the acquisition of One.Net Pty Ltd and One.Card Pty Ltd.

The group's gearing (debt to equity plus debt) is 16.2%. There were no significant borrowings at 30 June 1998.

# Balance Sheet

AS AT 30 JUNE 1999

	Consolidated	
	1999	1998
	\$'000	\$'000
<b>CURRENT ASSETS</b>		
Cash	172,641	8,403
Receivables	71,969	48,129
Inventories	2,477	1,133
Prepayments	31,830	478
Deferred expenditure	17,315	-
<b>TOTAL CURRENT ASSETS</b>	<b>296,232</b>	<b>58,143</b>
<b>NON CURRENT ASSETS</b>		
Receivables	2,851	4,859
Plant and equipment	41,027	12,665
Intangibles	27,977	-
Prepayments	119,563	-
Deferred expenditure	30,825	-
Future income tax benefit	7,492	2,532
<b>TOTAL NON-CURRENT ASSETS</b>	<b>229,735</b>	<b>20,056</b>
<b>TOTAL ASSETS</b>	<b>525,967</b>	<b>78,199</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable	72,892	41,544
Borrowings	7,225	15
Provisions	4,742	1,871
<b>TOTAL CURRENT LIABILITIES</b>	<b>84,859</b>	<b>43,430</b>
<b>NON-CURRENT LIABILITIES</b>		
Accounts payable	-	2,744
Borrowings	62,904	12
Provisions	15,174	3,852
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>78,078</b>	<b>6,608</b>
<b>TOTAL LIABILITIES</b>	<b>162,937</b>	<b>50,038</b>
<b>NET ASSETS</b>	<b>363,030</b>	<b>28,161</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	355,624	9
Convertible note	3,646	-
Reserves	(5,315)	23,050
Retained profits	9,075	5,102

# Discussion and Analysis

## OF THE STATEMENT OF CASH FLOWS

Net cash used in operating activities increased to \$28.9 million for the 12 months to 30 June 1999 compared to \$8.0 million for the prior year. This was due largely to the investment by the group in establishing operations in the United Kingdom, Europe and Asia, which accounted for \$23.4 million. A further \$2.3 million of cashflow has been expended in the establishment of One.Tel's new GSM 1800 network in Australia.

Net cash outflows from investing activities grew to \$32.2 million. Capital expenditure increased to a net \$14.9 million as a result of One.Tel's expansion overseas, the expansion of all operations in Australia and the purchase of GSM 1800MHz spectrum.

Financing activities are dominated by the injection of capital by News Limited ("News") and Publishing and Broadcasting Limited ("PBL") (\$430 million), pre-paid advertising associated with News and PBL over the next five years (\$150 million) and a capital reconstruction (\$106 million). Additionally, \$59 million was raised through the issue of convertible notes under various terms throughout the year.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 1999

	Consolidated	
	1999	1998
	\$'000	\$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers	300,135	186,459
Payments to suppliers and employees	(328,108)	(193,348)
Interest received	1,876	551
Interest paid	(3,517)	(137)
Income tax paid	669	(1,525)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(28,945)</b>	<b>(8,000)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of investments	1,630	-
Proceeds from sale of plant and equipment	19,234	-
Payment for plant and equipment	(34,156)	(9,913)
Payment for purchase of controlled entities	(6,780)	-
Payment for purchase of intangible assets	(9,491)	-
Loans repaid to related parties	-	410
Loans provided to other parties	(2,620)	-
Deferred expenditure	-	(1,249)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(32,183)</b>	<b>(10,752)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of securities	430,348	25,764
Proceeds from borrowings	58,980	-
Repayment of borrowings	(4,201)	-
Dividends paid	(2,483)	(1,075)
Prepayment advertising	(150,000)	-
Share buy-back	(106,400)	-
Float costs	-	(317)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>226,244</b>	<b>24,372</b>
Net increase in cash held	165,116	5,620
Cash and cash equivalents at beginning of year	8,403	2,783
Exchange rate adjustments	(878)	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>172,641</b>	<b>8,403</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes and discussion and analysis

# Notes to the Concise Financial Report

## NOTE 1 – STATEMENT OF ACCOUNTING POLICIES

### A. BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

The concise financial report has been prepared in accordance with the Corporations Law, Accounting Standard AASB 1039 "Concise Financial Reports" and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as a full financial report.

It has been prepared on the basis of historical costs and except where stated does not take into account changing money values or current valuations of non-current assets.

The significant accounting policies which were adopted in the preparation of the full financial report are set out in that report. These accounting policies have been consistently applied by each entity of the consolidated entity and, except for the change in accounting policy disclosed below, are consistent with those of the previous financial year.

### B. CHANGE IN ACCOUNTING POLICY

The directors have revised the accounting policy in relation to Deferred Expenditure. Costs associated with the establishment of business operations are deferred until such time as the operations are contributing to the consolidated entity. These costs are amortised over a period not exceeding three years. The effect of the revised policy has been that were these costs to be written off in full in the year incurred profit would have been reduced by \$32,410,000. Consolidated retained profits at the beginning of the year are not affected by this revised policy. Basic and diluted earnings per share would have decreased were these costs written off in full to a loss of \$0.019 and \$0.015 per share respectively.

## NOTE 2 – ABNORMAL ITEMS

Operating profit after income tax includes the following abnormal items:

	1999 \$'000	1998 \$'000
Year 2000 software modification costs	1,400	-
less: Applicable income tax credit	(504)	-

### ABNORMAL ITEMS AFTER INCOME TAX

### NOTE 3 – DIVIDENDS PAID OR PROPOSED

	1999 \$'000	1998 \$'000
Interim unfranked ordinary dividend	1,251	-
Final unfranked ordinary dividend	1,726	-
Interim fully franked ordinary dividend	-	1,075
Final partially franked ordinary dividend	-	1,218
Over provision in respect to prior year	15	-
<b>DIVIDENDS PROVIDED FOR OR PAID</b>	<b>2,992</b>	<b>2,293</b>

The amount of retained profits and reserves that could be distributed as fully franked dividends from franking credits that exist or will arise after payment of income tax in the next year, excluding credits attaching to any proposed dividend shown above

- -

### NOTE 4 – EARNINGS PER SHARE

	1999	1998
Basic earnings per share (cents per share)	0.52	5.6
Diluted earnings per share (cents per share)	0.51	5.5
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	1,326,681,967	106,388,205
The figures for 1999 are quoted after a 10 for 1 share split at 10 May 1999		

### NOTE 5 – SEGMENT REPORTING

The economic entity operates in the telecommunications industry in Australia and internationally.

#### Geographic Segments

	Australia		International		Total	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Operating Revenue	302,478	207,336	23,507	-	325,985	207,336
Other Revenue	5,998	2,276	-	-	5,998	2,276
<b>TOTAL REVENUE</b>	<b>308,476</b>	<b>209,612</b>	<b>23,507</b>	<b>-</b>	<b>331,983</b>	<b>209,612</b>
<b>NET PROFIT/(LOSS) BEFORE TAX</b>	<b>11,301</b>	<b>8,847</b>	<b>(1,469)</b>	<b>-</b>	<b>9,832</b>	<b>8,847</b>
<b>TOTAL ASSETS</b>	<b>469,445</b>	<b>78,199</b>	<b>56,522</b>	<b>-</b>	<b>525,967</b>	<b>78,199</b>

#### Industry Segments

The economic entity operates in the telecommunications industry



# Notes to the Concise Financial Report

CONTINUED

## NOTE 6 – SUBSEQUENT EVENTS

### A. DIRECTORS' SHARE OPTIONS

There have been 6,666,667 share options exercised by directors between the balance sheet date and the date of signing of this concise financial report.

### B. INCORPORATION OF NEW SUBSIDIARIES

One.Tel Srl (Italy) was incorporated on 1 August 1999.

# Directors' Declaration

In the opinion of the directors of One.Tel Limited, the accompanying concise financial report of the consolidated entity and its controlled entities, set out on pages 40 to 48:

- a) Has been derived from the full financial period; and
- b) Complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Signed in accordance with a resolution of the directors.



Mr John D. Rich  
Director

Sydney, 16 August 1999



Mr Mark A. Silbermann  
Director

# Independent Audit Report

TO THE MEMBERS OF ONE.TEL LIMITED (ACN 068 193 153)



**BDO Nelson Parkhill**  
Chartered Accountants  
& Consultants

Level 23, 2 Market Street Sydney NSW 2000  
GPO Box 2551 Sydney NSW 2001  
DX 1222 Sydney  
Tel: +61 2 9286 5555 Fax +61 2 9286 5599

## Scope

We have audited the concise financial report of One.Tel Limited and its controlled entities for the financial year ended 30 June 1999 comprising the Statutory Balance Sheet and Profit and Loss Statement, Statement of Cash Flows, accompanying notes and Directors' Declaration, in order to express an opinion on it to the members of the company. The Company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial statements are free of material misstatement. We have also performed an independent audit of the full financial report of One.Tel Limited for the year ended 30 June 1999. Our audit report on the full financial report was signed on 16 August 1999, and was not subject to any qualifications.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion as to whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports".

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

## Audit Opinion

In our opinion, the concise financial report of One.Tel Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".

BDO Nelson Parkhill  
Chartered Accountants

Stephen La Greca  
Partner

Report dated 16 August 1999

Liability is limited by the Accountants'  
Scheme pursuant to the NSW



# Shareholder Information

AS AT 30 JUNE 1999

## A. Distribution of Shareholders

Category (size of holding)	Number of Holders	Ordinary Shares
1 - 1,000	419	326,192
1,001 - 5,000	1,306	3,923,571
5,001 - 10,000	549	4,725,666
10,001 - 100,000	390	10,946,148
100,001 & over	52	1,706,503,493
<b>TOTALS</b>	<b>2,716</b>	<b>1,726,425,070</b>

The were no holdings of less than a marketable parcel of ordinary shares

## B. Substantial Shareholders

The names of the substantial shareholders listed in the holding company's register at 30 June 1999 are:

Ordinary Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Capital
Kalara Investments Pty Limited	620,897,490	35.97
Robodoc Pty Limited	322,500,000	18.68
Leteno Pty Limited	322,500,000	18.68
Cavalane Holdings Pty Limited	146,700,000	8.50
<b>TOTALS</b>	<b>1,412,597,490</b>	<b>81.83</b>

# Shareholder Information

AS AT 30 JUNE 1999

## C. 20 Largest Shareholders – Ordinary Capital

Ordinary Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Capital
Kalara Investments Pty Limited	620,897,490	35.97
Robbdac Pty Limited	322,500,000	18.68
Leteno Pty Limited	322,500,000	18.68
Cavalane Holdings Pty Limited	146,700,000	8.50
Dorigad Pty Limited	74,682,190	4.32
Coldstream Capital, LLC	58,823,570	3.41
FAI General Insurance Company	43,950,420	2.55
Truegrip Pty Limited	31,193,560	1.81
Two Gables Pty Limited	19,800,000	1.15
Inkwelo Pty Limited	12,300,010	0.71
Westpac Custodian Nominees Limited	9,187,820	0.53
Coldstream International Partners LP	6,651,440	0.36
John Greaves	6,271,260	0.36
Bradley Keeling Management Pty Limited	6,000,010	0.35
Pacific Finance Group Pty Limited	4,623,520	0.27
Berna Pty Ltd	4,620,010	0.27
Angreb Pty Limited	3,620,000	0.21
Amcil Limited (Investment Portfolio A/C)	900,000	0.05
HKBA Nominees Ltd	887,680	0.05
Citicorp Nominees Pty Limited	874,500	0.05
<b>TOTALS</b>	<b>1,696,983,480</b>	<b>98.28</b>

## D. Voting Rights

On a show of hands, every member present in person or by proxy shall have one vote and upon a poll each member present in person or by proxy shall have one vote for each ordinary share held.

## E. 30 Largest Optionholders – Ordinary Capital

Ordinary Name	Number of Options Held
Ropodoc Pty Limited	140,000,000
Uereno Pty Limited	140,000,000
Life Cell Pty Limited	93,333,330
Dorigad Pty Limited	33,333,330
Truegrip Pty Limited	30,000,000
Mr John D. Rich	6,666,670
Moya Holdings Pty Ltd	2,750,000
Rolana Cage	2,500,000
Steven Hodgson	2,500,000
George Sawva	2,500,000
Weng Khoo Chin	1,250,000
Matthew Lovegrove	1,250,000
Andrew Maizels	1,250,000
Sandy Siessar	1,250,000
Education & Selection Services Pty Ltd	1,000,000
Sarai Pty Limited	1,000,000
Carlos Perez-Sotomayor	1,000,000
Adiway Pty Ltd	500,000
Katrina Banks	500,000
Snait Berggren	500,000
Sunnie Chaung	500,000
Paul Fleetwood	500,000
Teresa Keonane	500,000
Kathryn McCarthy	500,000
Jacqui Melman	500,000
Munira Ozdemir	500,000
Tania Pogson	500,000
Kevin Rawlings	500,000
Michael Wallace	500,000
Caroline Wain	500,000
<b>TOTALS</b>	<b>468,083,330</b>

# Glossary of Terms

## **Asynchronous Transfer Mode (ATM)**

A global industry-based standard for broadband integrated communications that uses high-speed packet switching capabilities to carry 2 digital signals of varying bandwidth. Precursor to Broadband ISDN.

## **Australian Competition and Consumer Commission (ACCC)**

Since July 1, 1997, this agency has been responsible for deregulation issues. Austel and the Spectrum Management Agency have amalgamated within another body: the Australian Communications Authority which is responsible for technical regulation. The Australian Communications Industry Forum is the industry's self-regulatory body.

## **Australian Consumers Association (ACA)**

Non-government organisation which looks after consumers interests. Publishes a magazine called "Choice".

## **Bandwidth**

The measure of how much data flows through a cable or radio link. Usually, expressed in bits per second.

## **Broadband**

Networking technique for transmitting large amounts of voice, data, image, and multimedia signals over long distances on coaxial or fibre optic cables, in digital communication, signals at the 45 Mbps or higher rate.

## **Call Data Records**

Computer record containing data unique to a specific call.

## **Carrier**

A company which provides communications circuits. A local phone company is a common carrier. Common carriers are regulated.

## **Carrier Licence**

Awarded by the Australian Communications Authority. It allows the recipients to carry any type of telephony call on its own leased network.

## **Cellular**

A mobile network service provided by mobile network service operators/providers. The user typically pays for making and receiving calls. Cellular transmission is primarily used outdoors.

## **Data**

Raw systems of bits that can be stored in computers and become information when converted into a form that can be viewed.

## **Dial Around**

A number dialled prior to dialling a long distance call. A USA term for override.

## **Digital**

A term used when data is represented by digits. A digital computer uses numbers in the binary coded electrical signals.

## **Domain Name**

An address used to locate a site/business on the Internet.

## **EBITDA**

Financial performance measurement which is earnings before interest, taxation, depreciation and amortisation.

## **European Telecommunications Standards Institute (ETSI)**

An international standards body, comparable to ANSI, that recommends standards for telephony, ISDN, wireless, plesiochronous and synchronous transport in Europe.

## **Fibre**

Hair-thin structures usually cylindrical in shape for transmitting optical signals. They consist of a high index core surrounded by a lower index cladding and covered with a protective coating. Synonym for lightguide, optical fibre.

## **Fibre Optics**

Communication medium that sends information in the form of light impulses over very thin glass fibres at very high speeds.

## **Fixed wire/fixed line calls**

Refers to calls connected to the fixed line telephone system, a non-mobile call.

## **Fourth Generation**

Non-procedural languages which are software driven, developed post 1975.

## **Gateway**

A device or system that connects two dissimilar networks and provides protocol translation services enabling the networks to exchange information and transmissions.

## **GHz**

Abbreviation for Gigahertz.

## **Global System for Mobile Communications (GSM)**

The European standard for digital cellular service that includes a suite of enhanced features similar to ISDN.

## **GSM**

(Global System for Mobiles) The most mature digital

**GSM 1800 Network**

Digital wireless phone network that operates in the 1800MHz spectrum band.

**Hertz (Hz)**

A unit of frequency equal to one wave per second (see wave).

**High Bandwidth**

A measure of data sent through a connection.

**Infrastructure**

In the context of telecommunications, a term used to describe the physical equipment and facilities that make up large-scale networks such as those built by incumbent carriers.

**Intelligent call routing**

Rerouting of a call.

**Interactive**

Used in reference to services, it describes the way in which users will be able to participate with the source of online information. An example of this would be ordering a video from a video channel or keying in a viewing request.

**Interactive Voice Response (IVR)**

A specialised computer that accepts input from either a telephone keypad or the caller's voice, and on the basis of that input, uses synthesised voice or prerecorded messages to offer callers choices on how they can complete the purpose of their call.

**Inter-carrier roaming**

An agreement between one mobile carrier and another mobile carrier. Roaming occurs when cellular (mobile) customers leave their cellular (mobile) carrier's home area.

**Interconnection process**

The process of connecting a call from one network to another network.

**Interconnection tariffs**

Fees charged by other carriers to connect to their networks.

**International Gateway switches**

A switch (designed to route voice calls) strategically located and programmed to route all calls through the carrier offering least cost to the desired destination. An International Gateway Switch has a number of carriers connected to it.

**Internet Protocols (IP)**

A standard describing software that keeps track of the Internet with address for different nodes or "hops" on the Internet.

**Internet Service Provider (ISP)**

A vendor who provides access for customers to the Internet and the World Wide Web.

**Key performance indicator (KPI)**

A performance indicator of a key driver in a business.

**Least Cost Routing (LCR)**

A telephone system feature which automatically chooses the least cost long distance line to send out a long distance number which is routed over the least cost service.

**Legacy**

Anything handed down from the past. Generally it is required that legacy systems are needed to be updated in line with current technology.

**Mega**

One million.

**MHz**

Abbreviation for Megahertz.

**Mobile Number Portability**

The ability of a mobile end-user to move to another mobile carrier while retaining the same mobile telephone number.

**Multimedia**

The ability to transmit and exchange information in several different formats such as text, graphics, sound, and full-motion video.

**Network Operations Centre (NOC)**

The work centre that monitors the operations of a telecommunications network.

**On-line**

Situation where a computer is connected to another computer via a telephone line, cable or wireless, allowing the user to read messages or download information. When disconnected, you're said to be off-line.

**Open Architecture Technology**

Refers to non-proprietary technology, which means that it is not necessary for the vendor of the technology to write a specification to re-program the vendor's product. Re-programming can be written in a common code 'in-house' by the purchaser's software developers.

**Override**

A number entered prior to dialling a national or international call.



# Glossary of Terms

**Personalised tariffing**

Specialty tailored call rate package.

**Point of Presence (POP)**

The physical location where an interexchange carrier or a competitive access provider terminates lines before connecting to the local exchange company, another carrier, or directly to a customer.

**Pre-selection**

A standard regulatory mechanism for allowing consumers access to a selected long distance operator's service through nomination.

**Protocol**

A set of rules that govern network communications defining transmission rates, encoding schemes, physical interfaces, addresses, and how nodes contend for service; higher level protocols define specific functions such as printing, file sharing, etc.

**Real-time**

When the system reacts quickly to a request rather than storing it later for processing.

**Roaming**

In wireless communications, the movement by a user among many cells or zones. The term implies that the system can locate the handset as it "rooms" and provide continuing service.

**Router**

In a communications network, such as the Internet, a router is a device that selects a travel path for packets containing information, then sends them on their way. A router does its job by examining the headers, or destination addresses, of the packets passing through it and determines the best route to send them on.

**Server**

A computer that stores information for use on the Internet.

**Service Provider**

An organisation that manages traffic or sells packaged services or content on the information highway.

**Spectrum**

A range of frequencies available for radio transmission and reception. The FCC has set aside portions of the spectrum for cellular service, television, FM radio, and satellite transmissions.

**Subscriber**

A person or business with a telephone service provided by a telephone company.

**Switches**

A mechanical, electrical or electronic device which opens or closes circuits, completes or breaks an electrical path, or selects paths or circuits.

**Third Generation**

1964 - 1975, integrated circuit.

**Tolling**

A customer that has used One.Tel's billable telephony service in the last 30 days.

**Transmission Control Protocol/Internet Protocol (TCP/IP)**

A protocol capable of linking different computer platforms across networks.

**Trunk services**

A communication line between two switching systems.

**Voice Traffic**

Refers to the human voice telephone calls, carried on either fixed or mobile telephony networks.

**Web Browser**

Software that moves documents on the World Wide Web to your computer.

**Wireless**

Non-fixed telephony device, can take the form of a mobile phone or a wireless communication system.

**Wireless Communications**

A term that refers to technologies that provide mobile communications for home or office, and "in-building wireless" for extended mobility around the work area, campus, or business complex. It is also used to mean "cellular" for in-or out-of-building mobility services.

**Wireline**

Fixed Wire, ie home, fax or business line.

# Directory

## Shareholder Enquiries

**61 2 9777 7227**

**[www.onetel.com.au](http://www.onetel.com.au)**

## One.Tel Directors

John Greaves,  
Non-Executive Chairman

Bradley Keeling,  
Joint Managing Director

Jodee Rich,  
Joint Managing Director

Rodney Adler,  
Non-Executive Director

Steven Gilbert  
Non-Executive Director

Lachlan Murdoch,  
Non-Executive Director

James Packer,  
Non-Executive Director

Mark Silberman,  
Finance Director

## Company Secretaries

Mark Silberman  
Steven Hodgson  
Alicia Parker

## Registered Office

Level 28, 9 Castlereagh Street  
Sydney NSW 2000, Australia

## Solicitors

Baker and McKenzie  
Level 26, AMP Centre,  
50 Bridge Street  
Sydney NSW 2000, Australia

Gilbert and Tobin  
Level 4, 50 Carrington Street  
Sydney NSW 2000, Australia

Firmstone and Feil  
Level 23, Goldfields House  
1 Alfred Street  
Sydney NSW 2000, Australia

Freehill Hollingdale and Page  
Level 38, MLC Centre  
19 - 29 Martin Place  
Sydney NSW 2000, Australia

## Share Registry

Computer Share Registry  
Services Pty Ltd  
Level 3, 60 Carrington Street  
Sydney NSW 2000, Australia  
Telephone +61 2 8234 5000  
Facsimile +61 2 8234 5050

## Auditors

BDO Nelson Parkhill  
Level 23, 2 Market Street  
Sydney NSW 2000, Australia

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Ph: + 33 1 5353 7588

**The Netherlands**

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60322 Frankfurt.  
Ph: 49 69 5095 8888

**Switzerland**

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Ph: + 41 1 207 8 111

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**One.Tel**)))  
100% Telephone Co.

# **One.Tel Inc**

# **Business Plan**

EXEC SUMMARY

# One.Tel Inc Business Plan (in \$US)

## Base Case

### Executive Summary

	Year 1	Year 2	Year 3
Revenue	23,934,987	63,953,833	86,134,459
Gross Margin	13,776,285	36,395,270	48,985,673
EBITDA	(670,772)	11,759,820	17,332,136
Peak negativity	(5,754,672)	(5,511,964)	4,395,532
Cash at end of year	(5,710,686)	3,231,787	18,238,178
Subscribers at end of year	158,491	229,154	300,258

### Key Assumptions

Marketing response rate	1.10%	Flagfall	0.10
Churn Rate - month 1	23%	Set up fee	4.95
Churn Rate - after month 1	10%	Access fee	4.95
Domestic call margin	11%	Mail cost per piece	0.21
International call margin	45%	Marketing retention per cust	9.00
USBI billing cost	13%	Minutes per month	150
Number of staff call centre	30	Domestic share (minutes)	80%
Doubtful debt rate	5%	International share (minutes)	20%

# One.Tel Inc Business Plan (in \$US)

## Tariff Plan

Domestic call rate	0.05
International rate	0.37
Flagfall	0.10
Set up fee	4.95
Access fee	4.95

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# One.Tel Inc Business Plan (in \$US)

## Profit & Loss

### Base Case

	Year 1	Year 2	Year 3
Total call charges	18,802,509	51,007,515	68,757,841
Set up fee	721,463	980,100	1,248,224
Access fee	4,411,015	11,966,218	16,130,394
Total Revenue	23,934,987	63,953,833	86,134,459
Domestic call costs	4,812,017	13,054,056	17,596,793
International call costs	5,346,885	14,504,507	19,551,993
Total Airtime Costs	10,158,702	27,558,563	37,148,786
Gross Margin	13,776,285	36,395,270	48,985,673
Operating Expenses	(13,250,308)	(21,437,758)	(27,346,815)
Doubtful debts	(1,196,749)	(3,197,692)	(4,306,723)
EBITDA	(670,772)	11,759,820	17,332,136
Total depreciation	(176,316)	(176,316)	(176,316)
Net Profit (Loss) before Tax	(847,088)	11,583,505	17,155,820

# One.Tel Inc Business Plan (in \$US)

## Operating Expenses

### Base Case

	Year 1	Year 2	Year 3
Marketing retention fund	(2,326,500)	(3,564,000)	(4,447,575)
Marketing cost	(5,880,000)	(7,560,000)	(9,702,000)
USBI billing cost	(3,111,548)	(8,313,998)	(11,197,480)
Salaries - call centre	(900,000)	(900,000)	(900,000)
Salaries - admin	(32,500)	(32,500)	(32,500)
Salaries - ex pat and per diem	(79,400)	(79,400)	(79,400)
Office space	(97,200)	(97,200)	(97,200)
Other creditors	(292,500)	(390,000)	(390,000)
Application to do business	(30,000)	-	-
1300 calls	(156,000)	(156,000)	(156,000)
Travel	(195,000)	(195,000)	(195,000)
Rental apartment:	(17,160)	(17,160)	(17,160)
Legal	(100,000)	(100,000)	(100,000)
Insurance	(32,500)	(32,500)	(32,500)
<b>Operating expenses</b>	<b>(13,250,308)</b>	<b>(21,437,758)</b>	<b>(27,346,815)</b>

# One.Tel Inc Business Plan (in \$US)

## Summary Cashflow

### Base Case

	Total Year 1	Total Year 2	Total Year 3
Opening Balance Cash	-	(5,710,686)	3,231,787
<i>Inflows</i>			
Revenue	15,315,763	56,632,040	78,269,897
Initial capitalisation	100,000	-	-
<b>Total Inflow</b>			
<i>Outflows</i>			
Capital Outflow	(517,846)	-	-
COGS Outflow	(8,416,464)	(26,705,285)	(36,338,811)
Opex Outflow	(4,258,760)	(5,563,760)	(6,447,335)
<b>Total Outflow</b>	(21,126,449)	(47,889,567)	(63,263,505)
<b>Net Cash Inflow (Outflow)</b>	(5,710,686)	8,942,473	15,006,391
<b>Closing Balance Cash</b>	(5,710,686)	3,231,787	18,238,178
<b>Peak Negativity</b>	(5,754,672)	(5,511,964)	4,395,532

### Assumptions

Revenue	2 mth delay
COGS	1 mth delay
USBI billing costs	1 mth delay
All other costs	same mth

### Base Case

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### Base Case

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### Base Case

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# One.Tel Inc Business Plan (in \$US)

## Balance Sheet

### Base Case

	Year 1	Year 2	Year 3
Cash	(5,710,686)	3,231,787	18,238,178
Trade Debtors Net of Provision	7,422,474	11,346,576	14,904,415
<i>Total Current Assets</i>	1,711,788	14,578,363	33,142,594
Fixed Assets	617,846	617,846	617,846
Accumulated Depreciation	(176,316)	(352,631)	(528,947)
<i>Total Non Current Assets</i>	441,530	265,215	88,899
<b>Total Assets</b>	2,153,319	14,843,577	33,231,493
Creditors	2,900,407	4,007,161	5,239,256
<b>Total Liabilities</b>	2,900,407	4,007,161	5,239,256
<b>Net Assets</b>	<u>(747,088)</u>	<u>10,836,417</u>	<u>27,992,237</u>
Share Capital	100,000	100,000	100,000
Retained Earnings	(847,088)	10,736,417	27,892,237
<b>Share equity</b>	<u>(747,088)</u>	<u>10,836,417</u>	<u>27,992,237</u>

# One.Tel Inc Business Plan (in \$US)

## Sensitivity Analysis

	Churn 5 % (Base Case 10%)			Churn 15 % (Base Case 10%)		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Revenue	26,879,223	86,370,271	132,323,982	21,426,913	49,208,356	62,168,848
Gross Margin	15,432,065	49,001,828	74,961,738	12,365,795	28,102,708	35,507,892
EBITDA	455,045	20,331,419	34,994,087	(1,629,810)	6,121,444	8,168,164
Peak negativity	(5,631,868)	(5,120,924)	11,432,021	(5,939,953)	(5,879,835)	(644,317)
Cash at end of year	(5,476,018)	9,351,531	39,427,506	(5,939,953)	(1,235,843)	5,494,301
Subscribers at end of year	191,102	339,759	485,315	132,573	165,157	211,077

	200 min (Base Case 150 min)			100 min (Base Case 150 min)		
	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Revenue	30,202,490	80,956,338	109,053,740	17,667,484	46,951,328	63,215,179
Gross Margin	16,657,555	44,211,588	59,522,025	10,895,016	28,578,953	38,449,322
EBITDA	1,082,346	16,515,687	23,743,017	(2,423,891)	7,003,954	10,921,254
Peak negativity	(5,450,824)	(4,779,990)	9,383,257	(6,222,164)	(6,243,938)	(592,192)
Cash at end of year	(5,199,208)	7,792,512	28,596,017	(6,222,164)	(1,328,938)	7,880,340
Subscribers at end of year	158,491	229,154	300,258	158,491	229,154	300,258

	Domestic 90% Inter 10% (Base Case 80 %: 20%)		
	Year 1	Year 2	Year 3
Revenue	19,657,639	52,350,228	70,482,865
Gross Margin	11,570,778	30,412,161	40,920,476
EBITDA	(2,106,357)	7,865,360	12,082,426
Peak negativity	(6,257,882)	(6,250,654)	103,694
Cash at end of year	(6,257,882)	(707,539)	9,487,084
Subscribers at end of year	158,491	229,154	300,258





# One.Tel Inc Business Plan (in \$US)

## Profit & Loss

Churn Rate Sensitivity :	5%		
	Year 1	Year 2	Year 3
Total call charges	21,187,284	89,164,400	106,170,467
Set up fee	721,463	980,100	1,246,224
Access fee	4,970,477	16,225,772	24,907,290
Total Revenue	26,879,223	86,370,271	132,323,982
Domestic call costs	5,422,338	17,700,842	27,171,589
International call costs	6,024,820	19,667,602	30,190,654
Total Airtime Costs	11,447,158	37,368,444	57,362,243
Gross Margin	15,432,065	49,001,828	74,961,738
Operating Expenses	(13,633,059)	(24,351,895)	(33,351,453)
Doubtful debts	(1,343,961)	(4,318,514)	(6,616,199)
EBITDA	455,045	20,331,419	34,994,087
Total depreciation	(176,316)	(176,316)	(176,316)
Net Profit (Loss) before Tax	278,729	20,155,103	34,817,771

# One.Tel Inc Business Plan (in \$US)

## Operating Expenses

Churn Rate Sensitivity : 5%

	Year 1	Year 2	Year 3
Marketing retention fund	(2,326,500)	(3,564,000)	(4,447,575)
Marketing cost	(5,880,000)	(7,560,000)	(9,702,000)
USBI billing cost	(3,494,299)	(11,228,135)	(17,202,118)
Salaries - call centre	(900,000)	(900,000)	(900,000)
Salaries - admin	(32,500)	(32,500)	(32,500)
Salaries - ex pat and per diem	(79,400)	(79,400)	(79,400)
Office space	(97,200)	(97,200)	(97,200)
Other creditors	(292,500)	(390,000)	(390,000)
Application to do business	(30,000)	-	-
1300 calls	(156,000)	(156,000)	(156,000)
Travel	(195,000)	(195,000)	(195,000)
Rental apartment	(17,160)	(17,160)	(17,160)
Legal	(100,000)	(100,000)	(100,000)
Insurance	(32,500)	(32,500)	(32,500)
Operating expenses	(13,633,059)	(24,351,895)	(33,351,453)

# One.Tel Inc Business Plan (in \$US)

## Summary Cashflow

Churn Rate Sensitivity : 5%

	Total Year 1	Total Year 2	Total Year 3
<b>Opening Balance Cash</b>	-	(5,476,018)	9,351,531
<i>Inflows</i>			
Revenue	16,782,613	74,290,269	118,455,274
Initial capitalisation	100,000	-	-
<b>Total Inflow</b>			
<i>Outflows</i>			
Capital Outflow	(617,846)	-	-
COGS Outflow	(9,366,443)	(35,627,880)	(55,702,423)
Opex Outflow	(4,258,760)	(5,563,760)	(6,447,335)
<b>Total Outflow</b>	(22,358,631)	(59,462,721)	(68,379,299)
<b>Net Cash Inflow (Outflow)</b>	(5,476,018)	14,827,548	30,075,975
<b>Closing Balance Cash</b>	(5,476,018)	9,351,531	39,427,506
<b>Peak Negitivity</b>	(5,531,868)	(5,120,924)	11,432,021

### Assumptions

Revenue	2 mth delay
COGS	1 mth delay
USBI billing costs	1 mth delay
All other costs	same mth

**5%**

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**Churn Rate Sensilivty :**

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# One.Tel Inc Business Plan (in \$US)

## Balance Sheet

### Churn Rate Sensitivity :

	5%		
	Year 1	Year 2	Year 3
Cash	(5,476,018)	9,351,531	39,427,506
Trade Debtors Net of Provision	8,752,648	16,514,137	23,766,646
<i>Total Current Assets</i>	3,276,631	25,865,668	63,194,152
Fixed Assets	617,846	617,846	617,846
Accumulated Depreciation	(176,316)	(352,631)	(528,947)
<i>Total Non Current Assets</i>	441,530	265,215	88,899
<b>Total Assets</b>	3,718,161	26,130,883	63,283,051
Creditors	3,339,432	5,597,050	7,931,447
<b>Total Liabilities</b>	3,339,432	5,597,050	7,931,447
<b>Net Assets</b>	<u>378,729</u>	<u>20,533,832</u>	<u>55,351,603</u>
Share Capital	100,000	100,000	100,000
Retained Earnings	278,729	20,433,832	55,251,603
<b>Share equity</b>	<u>378,729</u>	<u>20,533,832</u>	<u>55,351,603</u>





# One.Tel Inc Business Plan (in \$US)

## Profit & Loss

Churn Rate Sensitivity :	15%			
		Year 1	Year 2	Year 3
Total call charges		16,771,018	39,063,961	49,346,156
Set up fee		721,463	980,100	1,246,224
Access fee		3,934,433	9,164,294	11,576,468
Total Revenue		21,426,913	49,208,356	62,168,848
Domestic call costs		4,292,109	9,997,412	12,628,874
International call costs		4,769,010	11,108,235	14,032,082
Total Airtime Costs		9,061,119	21,105,647	26,660,956
Gross Margin		12,365,795	28,102,708	35,507,892
Operating Expenses		(12,924,259)	(19,520,846)	(24,231,285)
Doubtful debts		(1,071,346)	(2,460,418)	(3,108,442)
EBITDA		(1,629,810)	6,121,444	8,168,164
Total depreciation		(176,316)	(176,316)	(176,316)
Net Profit (Loss) before Tax		(1,806,125)	5,945,128	7,991,848

# One.Tel Inc Business Plan (in \$US)

## Operating Expenses

Churn Rate Sensitivity : 15%

	Year 1	Year 2	Year 3
Marketing retention fund	(2,326,500)	(3,564,000)	(4,447,575)
Marketing cost	(5,880,000)	(7,560,000)	(9,702,000)
USBI billing cost	(2,785,499)	(6,397,086)	(8,081,950)
Salaries - call centre	(900,000)	(900,000)	(900,000)
Salaries - admin	(32,500)	(32,500)	(32,500)
Salaries - ex. pat and per diem	(79,400)	(79,400)	(79,400)
Office space	(97,200)	(97,200)	(97,200)
Other creditors	(292,500)	(390,000)	(390,000)
Application to do business	(30,000)	-	-
1300 calls	(156,000)	(156,000)	(156,000)
Travel	(195,000)	(195,000)	(195,000)
Rental apartment	(17,160)	(17,160)	(17,160)
Legal	(100,000)	(100,000)	(100,000)
Insurance	(32,500)	(32,500)	(32,500)
Operating expenses	(12,924,259)	(19,520,846)	(24,231,285)

# One.Tel Inc Business Plan (in \$US)

## Summary Cashflow

Churn Rate Sensitivity : 15%

	Total Year 1	Total Year 2	Total Year 3
Opening Balance Cash	-	(5,939,953)	(1,235,843)
<i>Inflows</i>			
Revenue	14,016,082	44,801,267	56,764,911
Initial capitalisation	100,000	-	-
<b>Total Inflow</b>			
<i>Outflows</i>			
Capital Outflow	(617,846)	-	-
COGS Outflow	(7,591,203)	(20,697,543)	(26,139,804)
Opex Outflow	(4,258,760)	(5,563,760)	(6,447,335)
<b>Total Outflow</b>	(20,056,035)	(40,097,157)	(50,034,767)
<b>Net Cash Inflow (Outflow)</b>	(5,939,953)	4,704,110	6,730,144
<b>Closing Balance Cash</b>	(5,939,953)	(1,235,843)	5,494,301
<b>Peak Negitivity</b>	(5,939,953)	(5,879,835)	(644,317)

### Assumptions

Revenue	2 mth delay
COGS	1 mth delay
USBI billing costs	1 mth delay
All other costs	same mth

**15%**

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**Churn Rate Sensitivity :**

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# One.Tel Inc Business Plan (in \$US)

## Balance Sheet

### Churn Rate Sensitivity :

15%

	Year 1	Year 2	Year 3
Cash	(5,939,953)	(1,235,843)	5,494,301
Trade Debtors Net of Provision	6,339,435	8,286,156	10,581,650
<i>Total Current Assets</i>	399,533	7,050,313	16,075,951
Fixed Assets	617,846	617,846	617,846
Accumulated Depreciation	(176,316)	(352,631)	(528,947)
<i>Total Non Current Assets</i>	441,530	265,215	88,899
<b>Total Assets</b>	841,063	7,315,528	16,164,850
Creditors	2,547,188	3,076,525	3,933,999
<b>Total Liabilities</b>	2,547,188	3,076,525	3,933,999
<b>Net Assets</b>	<u>(1,706,125)</u>	<u>4,239,003</u>	<u>12,230,851</u>
Share Capital	100,000	100,000	100,000
Retained Earnings	(1,806,125)	4,139,003	12,130,851
<b>Share equity</b>	<u>(1,706,125)</u>	<u>4,239,003</u>	<u>12,230,851</u>



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# One.Tel Inc Business Plan (in \$US)

## Profit & Loss

Usage Sensitivity:	200 minutes	Year 1	Year 2	Year 3
Total call charges		25,070,012	68,010,020	91,677,121
Set up fee		721,463	880,100	1,246,224
Access fee		4,411,015	11,966,218	16,130,394
Total Revenue		30,202,490	80,656,338	108,053,740
Domestic call costs		6,416,022	17,405,408	23,452,391
International call costs		7,126,913	19,339,342	26,069,324
Total Airtime Costs		13,544,936	36,744,750	49,531,715
Gross Margin		16,657,555	44,211,588	59,522,025
Operating Expenses		(14,065,084)	(23,648,084)	(30,326,321)
Doubtful debts		(1,510,125)	(4,047,817)	(5,452,687)
EBITDA		1,082,346	16,515,687	23,743,017
Total depreciation		(176,316)	(176,316)	(176,316)
Net Profit (Loss) before Tax		906,031	16,339,371	23,566,701

# One.Tel Inc Business Plan (in \$US)

## Operating Expenses

Usage Sensitivity: 200 minutes

	Year 1	Year 2	Year 3
Marketing retention fund	(2,326,500)	(3,564,000)	(4,447,575)
Marketing cost	(5,880,000)	(7,560,000)	(9,702,000)
USBI billing cost	(3,926,324)	(10,524,324)	(14,176,986)
Salaries - call centre	(900,000)	(900,000)	(900,000)
Salaries - admin	(32,500)	(32,500)	(32,500)
Salaries - ex pat and per diem	(79,400)	(79,400)	(79,400)
Office space	(97,200)	(97,200)	(97,200)
Other creditors	(292,500)	(390,000)	(390,000)
Application to do business	(30,000)	-	-
130C calls	(156,000)	(156,000)	(156,000)
Travel	(195,000)	(195,000)	(195,000)
Rental apartment	(17,160)	(17,160)	(17,160)
Legal	(100,000)	(100,000)	(100,000)
Insurance	(32,500)	(32,500)	(32,500)
<b>Operating expenses</b>	<b>(14,065,084)</b>	<b>(23,648,084)</b>	<b>(30,326,321)</b>

# One.Tel Inc Business Plan (in \$US)

## Summary Cashflow

Usage Sensitivity: 200 minutes

	Total Year 1	Total Year 2	Total Year 3
Opening Balance Cash	-	(5,199,208)	7,792,512
<i>Inflows</i>			
Revenue	19,307,769	71,924,937	99,094,490
Initial capitalisation	100,000	-	-
<b>Total Inflow</b>			
<i>Outflows</i>			
Capital Outflow	(617,846)	-	-
COGS Outflow	(11,221,952)	(35,607,046)	(48,451,748)
Opex Outflow	(4,258,760)	(5,563,760)	(6,447,335)
<b>Total Outflow</b>	(24,606,977)	(58,933,217)	(78,290,985)
<b>Net Cash Inflow (Outflow)</b>	(5,199,208)	12,991,720	20,603,505
<b>Closing Balance Cash</b>	(5,199,208)	7,792,512	28,596,017
<b>Peak Negitivity</b>	(5,450,824)	(4,779,990)	9,383,257

### Assumptions

Revenue	2 mth delay
COGS	1 mth delay
USBI billing costs	1 mth delay
All other costs	same mth

**200 minutes**

[illegible]

**Usage Sensitivity:**

[illegible]

### Usage Sensitivity:

[illegible]

# One.Tel Inc Business Plan (in \$US)

## Balance Sheet

Usage Sensitivity:

200 minutes

	Year 1	Year 2	Year 3
Cash	(5,199,208)	7,792,512	28,596,017
Trade Debtors Net of Provision	9,384,597	14,368,180	18,874,743
<b>Total Current Assets</b>	<b>4,185,388</b>	<b>22,160,692</b>	<b>47,470,760</b>
Fixed Assets	617,846	617,846	617,846
Accumulated Depreciation	(176,316)	(352,631)	(528,947)
<b>Total Non Current Assets</b>	<b>441,530</b>	<b>265,215</b>	<b>88,899</b>
<b>Total Assets</b>	<b>4,626,919</b>	<b>22,425,907</b>	<b>47,559,659</b>
Creditors	3,620,888	5,080,505	6,647,556
<b>Total Liabilities</b>	<b>3,620,888</b>	<b>5,080,505</b>	<b>6,647,556</b>
<b>Net Assets</b>	<b>1,006,031</b>	<b>17,345,402</b>	<b>40,912,103</b>
Share Capital	100,000	100,000	100,000
Retained Earnings	906,031	17,245,402	40,812,103
<b>Share equity</b>	<b>1,006,031</b>	<b>17,345,402</b>	<b>40,912,103</b>





# One.Tel Inc Business Plan (in \$US)

## Profit & Loss

Usage Sensitivity:	100 minutes			
		Year 1	Year 2	Year 3
Total call charges		12,535,006	34,005,010	45,838,561
Set up fee		721,463	980,100	1,246,224
Access fee		4,411,015	11,966,218	16,130,394
Total Revenue		17,667,484	46,951,328	63,215,179
Domestic call costs		3,208,011	8,702,704	11,731,196
International call costs		3,564,457	9,669,671	13,034,662
Total Airtime Costs		6,772,468	18,372,375	24,765,857
Gross Margin		10,895,015	28,578,953	38,449,322
Operating Expenses		(12,435,533)	(19,227,433)	(24,367,308)
Doubtful debts		(863,374)	(2,347,566)	(3,160,759)
EBITDA		(2,423,891)	7,003,954	10,921,254
Total depreciation		(176,316)	(176,316)	(176,316)
Net Profit (Loss) before Tax		(2,600,207)	6,827,638	10,744,938

# One.Tel Inc Business Plan (in \$US)

## Operating Expenses

Usage Sensitivity: 100 minutes

	Year 1	Year 2	Year 3
Marketing retention fund	(2,326,500)	(3,564,000)	(4,447,575)
Marketing cost	(5,880,000)	(7,560,000)	(9,702,000)
USBI billing cost	(2,296,773)	(6,103,673)	(8,217,973)
Salaries - call centre	(900,000)	(900,000)	(900,000)
Salaries - admin	(32,500)	(32,500)	(32,500)
Salaries - ex pat and per diem	(79,400)	(79,400)	(79,400)
Office space	(97,200)	(97,200)	(97,200)
Other creditors	(292,500)	(390,000)	(390,000)
Application to do business	(30,000)	-	-
1300 calls	(156,000)	(156,000)	(156,000)
Travel	(195,000)	(195,000)	(195,000)
Rental apartment	(17,160)	(17,160)	(17,160)
Legal	(100,000)	(100,000)	(100,000)
Insurance	(32,500)	(32,500)	(32,500)
<b>Operating expenses</b>	<b>(12,435,533)</b>	<b>(19,227,433)</b>	<b>(24,367,308)</b>

# One.Tel Inc Business Plan (in \$US)

## Summary Cashflow

Usage Sensitivity: 100 minutes

	Total Year 1	Total Year 2	Total Year 3
Opening Balance Cash	-	(6,222,164)	(1,328,938)
<i>Inflows</i>			
Revenue	11,323,758	41,739,142	57,445,303
Initial capitalisation	100,000	-	-
<b>Total Inflow</b>			
<i>Outflows</i>			
Capital Outflow	(617,846)	-	-
COGS Outflow	(5,610,976)	(17,803,523)	(24,225,874)
Opex Outflow	(4,258,760)	(5,563,760)	(6,447,335)
<b>Total Outflow</b>	(17,645,922)	(36,845,917)	(48,236,026)
<b>Net Cash Inflow (Outflow)</b>	(6,222,164)	4,893,226	9,209,278
<b>Closing Balance Cash</b>	(6,222,164)	(1,328,938)	7,880,340
<b>Peak Negitivity</b>	(6,222,164)	(6,243,938)	(592,192)

### Assumptions

Revenue	2 mth delay
COGS	1 mth delay
USBI billing costs	1 mth delay
All other costs	same mth

# One.Tel Inc Business Plan (in \$US)

## Summary Cashflow

### Usage Sensitivity:

100 minutes

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Total Year 1
Opening Balance Cash	0	(698,243)	(1,137,608)	(1,642,354)	(2,371,980)	(3,081,070)	(3,663,402)	(4,123,595)	(4,758,405)	(5,355,496)	(5,798,757)	(6,078,768)	0
<b>Inflows</b>													
Revenue			62,613	713,161	430,854	705,452	970,625	1,198,029	1,463,417	1,792,748	2,107,531	2,379,329	11,323,759
Initial capitalisation	100,000												100,000
Total Inflow	100,000		62,613	713,161	430,854	705,452	970,625	1,198,029	1,463,417	1,792,748	2,107,531	2,379,329	11,423,758
<b>Outflows</b>													
Capital Outflow	(617,848)												(617,848)
COGS Outflow		(20,900)	(78,793)	(164,932)	(275,011)	(386,565)	(482,230)	(588,434)	(721,538)	(853,963)	(968,303)	(1,070,306)	(5,610,976)
Opex Outflow	(180,397)	(418,465)	(488,566)	(777,856)	(854,932)	(901,219)	(948,587)	(1,244,404)	(1,338,970)	(1,382,046)	(1,419,239)	(1,452,419)	(11,417,099)
Total Outflow	(798,243)	(439,365)	(567,359)	(942,788)	(1,139,943)	(1,287,784)	(1,430,818)	(1,832,838)	(2,060,508)	(2,236,008)	(2,387,543)	(2,522,725)	(17,645,922)
Net Cash Inflow (Outflow)	(698,243)	(439,365)	(504,746)	(729,627)	(709,090)	(582,332)	(460,193)	(634,809)	(597,091)	(443,261)	(280,011)	(143,396)	(6,222,164)
Closing Balance Cash	(698,243)	(1,137,608)	(1,642,354)	(2,371,980)	(3,081,070)	(3,663,402)	(4,123,595)	(4,758,405)	(5,355,496)	(5,798,757)	(6,078,768)	(6,222,164)	(6,222,164)
<b>Peak Negativity</b>													(6,222,164)

### Assumptions

Revenue	2 mth delay
COGS	1 mth delay
USBI billing costs	1 mth delay
All other costs	same mth

**Usage Sensitivity:**

[illegible]

**Usage Sensitivity:**

[illegible]

# One.Tel Inc Business Plan (in \$US)

## Balance Sheet

Usage Sensitivity:	100 minutes		
	Year 1	Year 2	Year 3
Cash	(6,222,164)	(1,328,938)	7,880,340
Trade Debtors Net of Provision	5,460,352	8,324,971	10,934,088
<i>Total Current Assets</i>	(761,812)	6,996,033	18,814,428
Fixed Assets	617,846	617,846	617,846
Accumulated Depreciation	(176,316)	(352,631)	(528,947)
<i>Total Non Current Assets</i>	441,530	265,215	88,899
<b>Total Assets</b>	(320,281)	7,261,248	18,903,327
Creditors	2,179,925	2,933,816	3,830,957
<b>Total Liabilities</b>	2,179,925	2,933,816	3,830,957
<b>Net Assets</b>	<u>(2,500,207)</u>	<u>4,327,431</u>	<u>15,072,370</u>
Share Capital	100,000	100,000	100,000
Retained Earnings	(2,600,207)	4,227,431	14,972,370
<b>Share equity</b>	<u>(2,500,207)</u>	<u>4,327,431</u>	<u>15,072,370</u>





# One.Tel Inc Business Plan (in \$US)

## Profit & Loss

Traffic Mix Sensitivity:	90 % Domestic, 10 % International		
	Year 1	Year 2	Year 3
Total call charges	14,525,161	39,403,910	53,116,247
Set up fee	721,463	980,100	1,246,224
Access fee	4,411,015	11,966,218	16,130,394
Total Revenue	19,657,639	52,350,228	70,492,865
Domestic call costs	5,413,519	14,685,813	19,796,393
International call costs	2,673,343	7,252,253	9,775,996
Total Airtime Costs	8,086,861	21,938,066	29,572,389
Gross Margin	11,570,778	30,412,161	40,920,476
Operating Expenses	(12,694,253)	(19,929,290)	(25,313,407)
Doubtful debts	(952,882)	(2,617,511)	(3,524,643)
EBITDA	(2,106,357)	7,865,360	12,082,426
Total depreciation	(176,316)	(176,316)	(176,316)
Net Profit (Loss) before Tax	(2,282,673)	7,689,045	11,906,110

# One.Tel Inc Business Plan (in \$US)

## Operating Expenses

Traffic Mix Sensitivity:

90 % Domestic, 10 % International

	Year 1	Year 2	Year 3
Marketing retention fund	(2,326,500)	(3,564,000)	(4,447,575)
Marketing cost	(5,880,000)	(7,560,000)	(9,702,000)
USBI billing cost	(2,555,493)	(5,805,530)	(9,164,072)
Salaries - call centre	(900,000)	(900,000)	(900,000)
Salaries - admin	(32,500)	(32,500)	(32,500)
Salaries - ex pat and per diem	(79,400)	(79,400)	(79,400)
Office space	(97,200)	(97,200)	(97,200)
Other creditors	(292,500)	(390,000)	(390,000)
Application to do business	(30,000)	-	-
1300 calls	(156,000)	(156,000)	(156,000)
Travel	(195,000)	(195,000)	(195,000)
Rental apartment	(17,160)	(17,160)	(17,160)
Legal	(100,000)	(100,000)	(100,000)
Insurance	(32,500)	(32,500)	(32,500)
Operating expenses	(12,694,253)	(19,929,290)	(25,313,407)

# One.Tel Inc Business Plan (in \$US)

## Summary Cashflow

Traffic Mix Sensitivity: 90 % Domestic, 10 % International

	Total Year 1	Total Year 2	Total Year 3
Opening Balance Cash	-	(6,257,882)	(707,539)
<i>Inflows</i>			
Revenue	12,591,361	46,531,674	64,057,852
Initial capitalisation	100,000	-	-
<b>Total Inflow</b>			
<i>Outflows</i>			
Capital Outflow	(617,846)	-	-
COGS Outflow	(6,699,948)	(21,258,812)	(28,927,606)
Opex Outflow	(4,258,760)	(5,563,760)	(6,447,335)
<b>Total Outflow</b>	(18,949,243)	(40,981,331)	(53,863,229)
<b>Net Cash Inflow (Outflow)</b>	(6,257,882)	5,550,342	10,194,623
<b>Closing Balance Cash</b>	(6,257,882)	(707,539)	9,487,084
<i>Peak Negativity</i>	(6,257,882)	(6,250,654)	103,694

## Assumptions

Revenue	2 mth delay
COGS	1 mth delay
USBI billing costs	1 mth delay
All other costs	same mth

**Traffic Mix Sensitivity:**

[illegible]

[illegible]

[illegible]

# One.Tel Inc Business Plan (in \$US)

## Balance Sheet

**Traffic Mix Sensitivity: 90 % Domestic, 10 % International**

	Year 1	Year 2	Year 3
Cash	(6,257,882)	(707,539)	9,487,084
Trade Debtors Net of Provision	6,053,396	9,284,438	12,194,808
<i>Total Current Assets</i>	<i>(174,486)</i>	<i>8,576,899</i>	<i>21,681,892</i>
Fixed Assets	617,846	617,846	617,846
Accumulated Depreciation	(176,316)	(352,631)	(528,947)
<i>Total Non Current Assets</i>	<i>441,530</i>	<i>265,215</i>	<i>88,899</i>
<b>Total Assets</b>	<b>267,044</b>	<b>8,842,114</b>	<b>21,770,791</b>
Creditors	2,449,717	3,335,742	4,358,310
<b>Total Liabilities</b>	<b>2,449,717</b>	<b>3,335,742</b>	<b>4,358,310</b>
<b>Net Assets</b>	<b>(2,182,673)</b>	<b>5,506,372</b>	<b>17,412,482</b>
Share Capital	100,000	100,000	100,000
Retained Earnings	(2,282,673)	5,406,372	17,312,482
<b>Share equity</b>	<b>(2,182,673)</b>	<b>5,506,372</b>	<b>17,412,482</b>