UNWIRED GROUP Limited

ASX Preliminary final report – 30 June 2005
(ACN 008 082 737)

Lodged with the ASX under Listing Rule 4.3A

UNWIRED GROUP Limited

Year ended 30 June 2005
(Previous corresponding period:
Year ended 30 June 2004)

Results for Announcement to the Market

				$'000
Revenue from ordinary activities	up	466%	to	13,205
Loss from ordinary activities after tax attributable to members	up	465%	to	(40,773)
Loss for the period attributable to members	up	465%	to	(40,773)

	2005	2004
Net Tangible Asset Backing Per ordinary share	19.8 cents	31.7 cents

Dividends/distributions

No dividends were paid or payable in the year ended 30 June 2005.

Commentary on the results for the year

The year ended 30 June 2005 was a year of substantial and exciting growth for Unwired. We completed the construction and deployment of our wireless local loop network in the WiMax designated 3.4GHz to 3.6GHz spectrum band in Sydney, on time and under budget. The group's capital expenditure in the period was $12,498,000 which reflected the balance of the expenditure for the Sydney network build and expansion as well as back office systems. This was in addition to the capital expenditure of $20.6 million in the previous financial year.

On 19 August 2004, Unwired successfully launched its commercial services providing wireless broadband services to the consumer, home business and small business markets in Sydney. After 10.5 months of operations, the group's customer numbers have grown to 28,148 in the broadband and fast internet market, with revenue for the year of $13,205,000. This included operating revenue of $11,492,000, for 10.5 months' subscriptions from commercial operations and wireless modem sales. Operating revenue of $335,000 in the previous year was derived mainly from the sale of spectrum to Telstra. Non-operating revenue, which was primarily interest income, totalled $1,713,000 for the year.

Expenses from ordinary operating activities were $53,978,000, reflecting the costs of acquiring and growing the customer base and services for the year. This included depreciation and amortisation of $15,646,000, resulting in a net loss for the year for the group of $40,773,000. Other significant operating expenses included $10,944,000 of employee benefit expenses and $6,157,000 of direct marketing and product development expenses, as marketing and sales activity was ramped up from the launch date to increase brand awareness and market penetration. Cost of sales totalling $9,357,000 relating to the provision of goods and services were also incurred in the year, this included items such as modems, warehousing and deliveries, data termination costs and merchant fees on customer payments by credit cards.

The group had cash balances and deposits of $17,097,000 and restricted cash balances of $2,170,000 at 30 June 2005. This cash balance is considered to be sufficient to fund further growth in the Sydney operations until it becomes cash flow positive.

Unwired Group Limited did not pay dividends to members during the financial year ending 30 June 2005. The ability of the company to pay dividends in the future is dependent on many factors, including the group’s ability to build wireless networks in Sydney and elsewhere, and to attract customers to those networks. The directors do not expect the company to pay dividends in the foreseeable future.

Unwired Group Limited
Annual report – 30 June 2005
(ABN 85 008 082 737/ACN 008 082 737)

Contents

The financial report on pages 17 to 45 covers both Unwired Group Limited ("the company") as an individual entity and the consolidated entity consisting of Unwired Group Limited and its controlled entities ("the group" or "Unwired").

Unwired Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unwired Group Limited
Level 21, 1 Market Street
Sydney, NSW 2000.

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities and in the Directors' report on pages 2 to 15, which are not part of the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. All press releases, financial reports and other information are available at our Investors' Centre on our website: www.unwired.com.au.

For queries in relation to our reporting please call 02 9231 6055 or e-mail *amanda.wallace@unwiredaustralia.com.au.*

Unwired Group Limited
Directors' Report

Your directors present their report on the consolidated entity consisting of Unwired Group Limited (formerly Breathe Group Limited) and the entities it controlled at the end of, or during, the year ended 30 June 2005.

Directors

The following persons were directors of Unwired Group Limited during the year and up to the date of this report:

- Peter Shore, non-executive Chairman,
- Philippe Amouyal non-executive director, resignation effective 07 July 2005
- Christopher North, non-executive director
- Frederick Smith, non-executive director
- Andrew Kroger, non-executive director, resignation effective 20 May 2005.
- William Robinson, non-executive director
- David Spence, executive director
- Michael Burgess, non-executive director, appointment effective 11 July 2005
- Steve Cosser, non-executive director, appointment effective 11 July 2005

Principal Activities

The principal activity of the consolidated entity during the year was the provision of wireless broadband services to the consumer, home business and small business markets in Sydney. The launch of commercial services in Sydney was on 19 August 2004, following the completion of the construction and deployment of a wireless local loop network using the 3.4GHz to 3.6GHz spectrum band in Sydney.

Dividends

Unwired Group Limited did not pay dividends to members during the financial year ending 30 June 2005. The ability of the company to pay dividends in the future is dependent on many factors, including the group's ability to build wireless networks in Sydney and elsewhere, and to attract customers to those networks. The directors of the company do not expect to pay dividends in the foreseeable future.

Review of Operations

Operating revenue for the year was $11,492,000, made up primarily of the sale of wireless modems and monthly service subscriptions with the majority reflecting the growth since the 19 August 2004 launch. This compares to $335,000 in the previous year which arose from the sale of spectrum to Telstra. In addition the group earned $1,713,000 of non-operating revenue, which was primarily interest income.

Expenses from ordinary operating activities were $53,978,000 for the year. This included $15,646,000 of depreciation and amortisation expenses (a non-cash expense) and $10,944,000 of employee benefit expenses. A further $6,157,000 of direct marketing and product development expenses were incurred as marketing and sales activity was ramped up from the launch date to increase brand awareness and market penetration. Cost of sales totalling $9,357,000 of expenses relating to the provision of goods and services were incurred in the year, which includes items such as modems, warehousing and deliveries, data termination costs and merchant fees on customer payments by credit cards.

Capital expenditure for the year was $12,498,000 which reflected the balance of the expenditure for the Sydney network build and expansion of the network as well as back office systems during the year.

During the year, personnel numbers grew from 60 to a peak of over 90 full time staff during the network build and launch stages, and ended the year at 79 staff reflecting the change to an operational nature. The management team reporting to the CEO also expanded in the current year to reflect the growth and operational focus of the group.

The consolidated entity had a bank balance of $19,267,000 at 30 June 2005 which is anticipated to be sufficient to cover all funding requirements in Sydney until the Sydney operations become cash flow positive. Included in this figure is $2,170,000 in term deposits which are restricted cash balances due to designation of those deposits as security for creditors.

Tax losses, resulting from the operating losses of the business, have not been recognised in the statement of financial position of the company as the Directors do not believe their realisation to be virtually certain.

Earnings per share

	2005	2004
	Cents	Cents
Basic earnings per share	(16.31)	(5.2)
Diluted earnings per share	(16.31)	(5.2)
	Shares	Shares
Weighted Average number of ordinary shares used in the calculation of:		
Basic earnings per share	**250,032,689**	138,172,763
Diluted earnings per share	**250,032,689**	138,172,763

On 12 December 2003, the company undertook a capital reorganisation in which every 225 ordinary shares were consolidated to one ordinary new share, reducing the ordinary shares on issue from 175,296,571 to 779,607.

Significant changes in the state of affairs

While the group had launched its wireless broadband service in Sydney and taken on its first customers in June 2004, in August 2004 it commenced its first full scale launch to a large retail market, after completing the network rollout in Sydney. At 30 June 2005, after 10.5 months of full commercial operation, the group has 28,148 customers in the residential and SME broadband and fast internet market.

Matters subsequent to the end of the financial year

In July 2005, Unwired and Austar announced a spectrum swap deal designed to deliver interoperable wireless broadband services in both metropolitan and regional Australia. Under the agreement, Austar traded a portion of its 2.3GHz spectrum licences to Unwired. Unwired traded a portion of its 3.5GHz spectrum licences to Austar and the licence boundaries will be redrawn with new licences issued. Unwired will also make a supplementary cash payment to Austar of $15 million. As a result, the agreement will see Austar holding 2.3GHz and 3.5GHz licences in areas that generally align with its current subscription television market in regional Australia, while Unwired would hold the 2.3GHz and 3.5GHz licences for the majority of metropolitan Australia, including Sydney, Brisbane, Melbourne, Perth, Adelaide, Canberra, Newcastle and Geelong.

In July 2005 Unwired also entered into an agreement with Allco Finance for a $15,700,000 secured loan to finance the spectrum swap with Austar. Interest on the principal is payable in the form of cash in monthly instalments and in shares. The shares will accumulate monthly and will be issued on termination of the loan. The loan may be repaid by Unwired at any time during the two year period however Allco cannot demand payment of the principal from Unwired.

In July 2005, Unwired secured sponsorship of the Alan Jones show on Radio 2GB. This will give Unwired exclusive advertising rights in the internet services category. The deal is a combination of equity and cash over 3 years with Unwired issuing 3,333,333 shares to Macquarie Radio in year one, cash payment of $1,2 million in year two and the optional settlement in cash or shares for the total value of $1.5 million in year three.

Likely developments and expected results of operations

Details of the likely developments in the operations of the consolidated entity in future years are contained in the Chairman's Letter and the Chief Executive Officer's Review, which form part of the Annual Report 2005. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the consolidated entity's operations. Accordingly, such information concerning these and other potential developments and projected results has not been included.

Environmental Regulation

Legislation affecting the operations of the consolidated entity includes:

- Radiocommunications Act 1992 (Cth) and associated Standards, Regulations and Determinations
- Telecommunications Act 1997 (Cth) and associated Standards, Regulations and Determinations

The construction phase has been conducted in accordance with all laws and codes governing the company's activities, including the Australian Communications Industry Forum Infrastructure Code C564:2002. The equipment operated by the company falls well within all Australian laws, codes and standards including in regard to electromagnetic emissions, and has received all appropriate approvals.

Directors Interests

At 30 June 2005, director's interests in Unwired Group Limited shares and options were:

Director	**Special Responsibilities**	**Ordinary Shares**	**Options**
Chairman – Non Executive			
Peter Shore	Chairman Chairman of nomination & remuneration committee	3,519,468(3)	1,871,160
Non executive directors			
Philippe Amouyal	Member of audit committee	(1)	70,000
Christopher North	Member of nomination & remuneration committee	666,667	70,000 5,826,368(4)
William Robinson	Chairman of audit committee		70,000
Frederick Smith	Member of nomination & remuneration committee	(2)	70,000
Executive director			
David Spence	Chief Executive Officer		2,000,000

1 Philippe Amouyal is a director of The Invus Group, Limited. The Invus Group is the exclusive advisor to Artal Luxembourg S.A., which owns 24,660,118 shares in Unwired Group Limited via Artal Services N.V.
2 Frederick Smith is a Senior Advisor to the Private Equity Division's international fund activities at Credit Suisse First Boston, which manages CSFB (UNW) IEP SPRL, which owns 16,002,971 shares, and CSFB (UNW) Co-Investors SPRL, which owns 5,816,104 shares in Unwired Group Limited.
3 Minnamurra Partners Pty Limited is an entity associated with Peter Shore which owns 3,452,000 shares in Unwired Group Limited
4 These options represent an entitlement of Christopher North to a part of the Bishopswood Holdings Limited option allocation issued on 12 December 2003.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2005, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit		Nomination & Remuneration	
	A	B	A	B	A	B
Peter Shore	19	19	**	**	2	2
Philippe Amouyal	17	19	4	4	**	**
Andrew Kroger	15	17	2	4	**	**
Christopher North	18	19	**	**	2	2
William Robinson	18	19	4	4	**	**
Frederick Smith	18	19	**	**	2	2
David Spence	19	19	**	**	**	**

A = Number of meetings attended
B = Number of meetings held during the time the director held office or was a member of the committee during the year
** = Not a member of the relevant committee

Retirement, election and continuation in office of directors

Directors are subject to retirement by rotation and election by shareholders at a general meeting. No director may remain on the Board for more than three years without re-election. Where a director is appointed during the year, the director will hold office until the next Annual General Meeting and then be eligible for re-election.

Directors' Experience (including directors appointed subsequent to the reporting period)

Peter Shore was formerly a Group Managing Director of Telstra. He has been a director of Hostworks since 2001 and was chairman of Uecomm from 2002 until his resignation on 29 October 2004. Educated in Adelaide, Peter is a significant figure in the telecommunications industry. He was a senior executive of OTC responsible for international business during the 1980s. He joined Telstra in 1992 as Managing Director of its International Business unit and from 1995 to 2000 was Group Managing Director, Commercial and Consumer, responsible for managing the company's largest business unit involving 6.5 million residential and 700,000 small business customers.

Philippe Amouyal, resigned 7 July 2005, joined The Invus Group, LLC. in 1999 as a Managing Director. Prior to this he spent 15 years at The Boston Consulting Group in Paris and Boston, where he was a Vice President and Director. He coordinated the global electronics and software practice activities from 1991 until 1998. He holds a M.S. in engineering and a DEA in management from Ecole Centrale de Paris (Paris, France) and was a Research Fellow at the Center for Policy Alternatives of the Massachusetts Institute of Technology (Cambridge, Massachusetts). He has been a director of Weight Watchers International, Inc. since 2002, WeightWatchers.com, Inc. since 1999, and Golden Source Holdings , Inc since 2002.

Christopher North co-founded Unwired Australia Pty Limited in conjunction with Steve Cosser in 1997. Chris is also the founder and Managing Director of Wattle Park Partners Pty Limited, a Canberra-based consultancy that provides strategic, regulatory, economic and technical advice and services in all aspects of telecommunications and the media. Prior to that, Chris was a senior career executive with the Australian Government for 25 years, holding key positions in a range of departments. He was chief-of-staff with two Federal Government Ministers and a central player in the Australian reform of telecommunications and broadcasting regulation in the late 1980s and early 1990s.

William (Bill) Robinson currently serves as a non-executive Director of the Emerging Markets Growth Fund Inc. which is managed by the U.S based Capital International Group and as a non-executive director of Reckson Australia Management Limited since 2005. He was a non-executive director of Deutsche Asset Management (Australia) Limited from 1998-2004, D.B Real Estate (Australia) Limited from 2001-2004 and Southern Mining Corporation from 1998-2003. Following a period of 15 years with the Reserve Bank, and prior to his retirement from full time employment in 1998, Bill spent some 26 years overseas including five years with the Asian Development Bank, three years as Treasurer of the Rome based International Fund for Agricultural Development and 18 years in Paris as Financial Advisor to His Highness The Aga Khan. Bill is an Associate of the Australian Society of Accountants, the Bankers Institute of Australasia, and a Fellow of the Australian Institute of Company Directors.

Frederick M.R. Smith is a Senior Advisor to the Private Equity Division's international fund activities at Credit Suisse First Boston. Fred began his career at CSFB in 1967. In 1983, he founded the Media Group which was combined, under his leadership, with the department's telecommunication and transportation activities in 1991. In 1995, he joined the firm's Private Equity Division as Co-Head of its international activities. He served in that capacity and as a member of the Firm's Investment Committee until 2002. He continues as a director of various companies in which the Private Equity Division holds ownership interests. Fred received his BA in History from Yale University and attended The Johns Hopkins' School of Advanced International Studies.

David Spence was previously Managing Director, the President & COO, then CEO of OzEmail Limited during the internet high growth period 1995 to 2000. He has also held various management and leadership positions in the retail, publishing and manufacturing industries. He has previously served on the Boards of Commander Communications Limited, emitch Limited, Vertical Markets Pty Limited, WebCentral Pty Limited and Access1 Limited. He has also served on the Board of the Internet Industry Association. Before joining Unwired, David was CFO of OPSM Limited. David is a Chartered Accountant (SA) and has a Commerce degree and post graduate qualifications from Natal University, South Africa.

Steve Cosser was appointed a director of the company on 11 July 2005 and is one of the original founders of Unwired. In partnership with fellow director, Mr Christopher North, Mr Cosser successfully bid for the 3.5GHz spectrum licences in 2000 and was instrumental in the subsequent float of Unwired in 2003. Mr Cosser has over twenty years experience in the media and telecommunications industries both Australia and overseas.

Michael Burgess was appointed a director of the company on 11 July 2005. He has spent the last 10 years in senior telecommunications management roles in Asia including director-level positions for BT based in Singapore. His most recent position was as the Executive Vice President, Asia Pacific Operations for Marconi Plc, based in Beijing. Mr Burgess has held executive and non-executive directorships internationally, including Australia, China, India and the USA. He has been a non-executive director of Australian listed company Longreach Limited since January 2005.

Remuneration Report

Details of directors' and executives' remuneration is set out below:

1. Directors' Remuneration

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The approved pool currently stands at $750,000 per annum excluding executive directors. The current base remuneration was last reviewed and approved by shareholders with effect from 12 December 2003. The Chairman's remuneration is inclusive of committee fees while non-executive directors who chair a committee receive additional yearly fees. Unwired Group Limited does not provide any retirement benefits for Directors in excess of the statutory superannuation contribution. Directors' remuneration is set out in the table on the following page:

Remuneration report (continued)

	Primary			Post Employment		Equity	
	Cash salary and fees $	Cash bonus $	Non Monetary Benefits $	Super-annuation $	Retire-ment benefits $	Options $	Total $
Peter Shore	73,147	-	-	6,853	-	192,192	272,192
Philippe Amouyal*	54,000	-	-	-	-	9,324	63,324
Andrew Kroger	41,610	-	-	3,745	-	-	45,355
Christopher North*	52,000	-	-	-	-	9,324	61,324
William Robinson	49,541	-	-	4,459	-	9,324	63,324
Frederick Smith*	52,000	-	-	-	-	9,324	61,324
David Spence	459,825	301,000	7,080	11,585	-	260,704	1,040,194

* Fees payable to directors who were also employees or directors of associated companies were paid to the associated companies rather than to these directors.

2. Executive Remuneration

The group's executive reward policy is designed to ensure the group attracts quality staff and that reward for performance is competitive and appropriate for the results delivered. The policy aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

The executive pay and reward framework has three components:

Fixed remuneration: Base pay

Base pay is structured as a total employment cost package which is delivered as a cash benefit. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases fixed in any senior executives' contracts. Executives do not receive additional benefits such as health insurance, car allowances or tax advisory services, or retirement benefits other than superannuation.

Short-term performance incentives

The remuneration committee sets pre-determined performance targets for the group on a six monthly basis, ending 30 June and 31 December each year. If the group achieves those performance targets in the six month period, senior executives are entitled to receive 50% of their annual bonus component. This bonus would normally be paid in cash in the month following the target date. Using a mix of cash, customer, operational and financial targets ensures variable award is only available when value has been created for shareholders and when management performance is consistent with the business plan.

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the bonus plan and the level of payout if targets are met. This includes setting any maximum payout under the bonus plan, and minimum levels of performance to trigger payment of bonus.

For the year ended 30 June 2005, the KPIs linked to bonus plans for senior executives were based 50% on the group's business objectives and 50% on personal objectives. The senior executives were required to

Remuneration report (continued)

meet a targeted number of customers, exceed a minimum cash flow balance, deploy the Sydney network and attain reliability levels across the network, and launch new products. The KPIs are the same across the senior executive team. The short term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

Long-term performance incentives
Long term incentives are an integral part of the remuneration program in rewarding an individual's contribution and potential contribution to the group's performance. These involve the issue of options to executives. This aspect of the reward program focuses the executive on the future performance of the group over a three to five year horizon. Options are granted to executive directors and other executives under the Unwired Group Limited Employee Option Plan.

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current and prior year. Over the past year, the consolidated entity's loss from ordinary activities after tax has grown at an average rate of 465% per annum and shareholder growth has decreased at an average rate of 52% per annum. During the same period, average executive remuneration has grown by 8%.

Remuneration of specified seven executives with greatest activity for the strategic direction and operational management of the consolidated entity (these executives also received the highest remuneration for the year ended 30 June 2005) is set out in the table below:

	Cash salary and superannuation $	Cash bonus $	Allowances $	Total Cash component $	Allocation of fair value of all unvested options $	Total Remuneration $
Vicki Potts CA(NZ) *Chief Financial Officer*	252,833	77,875	-	330,708	115,321	446,029
Eric Hamilton *Chief Technical Officer*	238,452	77,875	15,600	331,927	114,235	446,162
Omar Khalifa *Director Wholesale and Product Development Resigned 6 May 2005*	281,227	30,300	-	311,527	-	311,527
Richard Bean *General Counsel and Company Secretary*	231,233	33,393	-	264,626	20,141	284,767
Claude Brown *General Manager IT Development*	183,299	32,650	-	215,949	5,535	221,484
Amanda Wallace *General Manager Communications from 12 July 2004*	163,293	19,496	-	182,789	4,261	187,050
Eve Hayter *General Manager Marketing and Customer Operations*	135,488	39,929	-	175,417	15,923	191,340
Total	1,485,825	311,518	15,600	1,812,943	275,416	2,088,359

The senior executives in the above table are employed by Unwired Australia Pty Limited. The remuneration in the above table reflects the full year remuneration paid by Unwired Australia Pty Limited.

Remuneration report (continued)

3. Cash bonuses and options

For each cash bonus and grant of options included in the above tables, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out in the table below. No part of the bonuses or grants of options are payable in future years.

	Cash bonus		Options	
Name	Paid %	Forfeited %	Vested %	Forfeited %
Peter Shore	-	-	100%	-
Philippe Amouyal	-	-	100%	-
Andrew Kroger	-	-	100%	-
Christopher North	-	-	100%	-
William Robinson	-	-	100%	-
Frederick Smith	-	-	100%	-
David Spence	89%	11%	100%	-
Vicki Potts	100%	-	100%	-
Eric Hamilton	100%	-	100%	-
Omar Khalifa	100%	-	-	100%
Richard Bean	100%	-	100%	-
Claude Brown	93%	7%	100%	-
Amanda Wallace	100%	-	100%	-
Eve Hayter	100%	-	100%	-

4. Service agreements

Remuneration and other terms of employment for the directors, CEO, CFO and the specified executives are formalised in employment contracts. Each of these contracts provide for the provision of performance-related cash bonuses, and participation, when eligible, in the Unwired Group Limited Employee Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

David Spence, *Chief Executive Officer*
- Commenced 27 January 2004 for an initial term of 3 years.
- Annual base salary, inclusive of superannuation, is $500,000, with a potential bonus of $200,000.
- The board has awarded a discretionary bonus of $100,000 subject to meeting specific performance criteria.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, is 6 months salary ($250,000) plus an additional 4 weeks redundancy payment for each year of service.

Peter Shore, *Chairman*
- Commenced as chairman of Unwired Group Limited 12 December 2003, and has been on the board of Unwired Australia Pty Limited since December 2001, and chairman since June 2002.
- Annual fee as chairman is $80,000.

Christopher North*, *Director*
- Contract for fees of $50,000 p.a. In addition fees of $1,000 per board committee meeting attended are payable.

Frederick Smith*, *Director*
- Contract for fees of $50,000 p.a. In addition fees of $1,000 per board committee meeting attended are payable.

Philippe Amouyal*, *Director*
- Contract for fees of $50,000 p.a. In addition fees of $1,000 per board committee meeting attended are

Remuneration report (continued)

- payable.

William Robinson, *Director*
- Contract for fees of $50,000 p.a. In addition fees of $1,000 per board committee meeting attended are payable.

Andrew Kroger, *Director (Resigned 20 May 2005)*
- Contract for fees of $50,000 p.a. In addition fees of $1,000 per board committee meeting attended are payable.

Vicki Potts, *Chief Financial Officer*
- Base salary, inclusive of superannuation, is $257,500 p.a., with a potential bonus of $80,000.

Eric Hamilton, *Chief Technical Officer*
- Base salary, inclusive of superannuation, is $241,900 p.a., with a potential bonus of $80,000. In addition a living away from home allowance of $15,600 p.a. was also provided.

Omar Khalifa, *General Manager, Wholesale and Product Development (resigned 6 May 2005)*
- Base salary, inclusive of superannuation, is $210,000 p.a., with a potential bonus of $60,000.

Richard Bean, *General Counsel and Company Secretary*
- Base salary from 1 September 2004 inclusive of superannuation is $230,000 p.a., with a potential bonus of $40,000. Prior to this Richard Bean was contracting to the group at a weekly rate, inclusive of superannuation, of $5,000.

Claude Brown, *General Manager, IT Development appointed 22 March 2004*
- Base salary, inclusive of superannuation, is $230,000 p.a., with a potential bonus of $40,000.

Amanda Wallace, *General Manager, Communications appointed 12 July 2004*
- Base salary inclusive of superannuation is $171,600 p.a., with a potential bonus of $20,000.

Eve Hayter, *General Manager, Marketing and Customer Operations*
- Base salary inclusive of superannuation is $139,300 p.a., with a potential bonus of $40,000.

**Fees payable to directors who were also employees or directors of associated companies were paid to the associated companies rather than to these directors*.

5. Share-based compensation

Share options granted to directors and the most highly remunerated officers
Options over un-issued ordinary shares of Unwired Group Limited granted during or since the end of the financial year to any of the directors and the seven executives with greatest authority for the strategic direction and operational management of the consolidated entity (these executives also received the highest remuneration for the year ended 30 June 2005) as part of their remuneration were as follows:

	Date Granted	Final Vesting	Expiry	Exercise Price	Number of options granted
ESOP options					
Richard Bean	28/08/04	01/09/05	01/09/09	$0.90	73,333
Richard Bean	28/04/04	01/09/06	01/09/09	$0.90	73,333
Richard Bean	28/04/04	01/09/07	01/09/09	$0.90	73,334
					220,000

Remuneration report (continued)

Amanda Wallace	12/07/04	15/07/05	15/07/09	$0.90	40,000
Amanda Wallace	12/07/04	15/07/06	15/07/09	$0.90	40,000
Amanda Wallace	12/07/04	15/07/07	15/07/09	$0.90	40,000
					120,000

Share based compensation

All options granted under the ESOP after 12 December 2003 have performance criteria which must be met before vesting. Total shareholder return is the measure used to determine vesting (for these purposes, total shareholder return is the growth in share price plus dividend notionally reinvested in the shares). The options will vest on the following basis:

(A) for the Options in any tranche to vest, during the relevant measurement periods Unwired will need to outperform a peer group of 45 companies in the $200 million to $400 million market cap range on the Australian Stock Exchange;

(B) the Options in a particular tranche will vest as follows:

(i) no Options will vest if Unwired performs below the 50th percentile;
(ii) at the 50th percentile, 50% of the Options will vest;
(i) above the 50th percentile, up to the 75th percentile, a pro rata share of the remaining 50% of
(iii) the Options will vest up to 100% at the 75th percentile; and
(iv) at the 75th percentile, 100% of the Options will vest; and

(C) the initial measurement periods for the Options for the purposes of the preceding paragraph are:

(ii) for the Tranche 1 Options (the first year's tranche), calendar 2004;
(iii) for the Tranche 2 Options (the second year's tranche), calendar 2004 and 2005; and
for the Tranche 3 Options (the third year's tranche), calendar 2004, 2005 and 2006.

The amounts disclosed for emoluments relating to options above is the assessed fair value at grant date of options granted to executive directors and other executives, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value of options was calculated independently for the company by Horwath Partners.

The model inputs for options granted during the year ended 30 June 2005 included:
(a) options are granted for no consideration
(b) vesting dates, exercise dates, grant dates and expiry dates are as shown for each individual in the table above
(c) share prices are collected for the grant date
(d) expected price volatility of the company's shares: 40% to 76%, volatility varies by grant date
(e) expected dividend yield: 0%
(f) risk-free interest rate: 4.74% to 6.24% (based on the relevant indicative yield applicable to Commonwealth Treasury fixed coupon bonds maturing at the dates of the various adopted expected lives prevailing at the grant dates.

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as laid out in the preceding tables for each Director and senior executive.

Remuneration report (continued)

Further details relating to options are set out below:

	A	B	C	D	E
Name	Remuneration consisting of options	Value at grant date $	Value at exercise date $	Value at lapse date $	Total of columns B-D $
Peter Shore	71%	1,028,618	-	-	1,028,618
Philippe Amouyal	15%	13,431	-	-	13,431
Andrew Kroger	-	13,431	-	13,431	-
Christopher North*	13%	3,421,856	-	-	3,421,856
William Robinson	15%	13,431	-	-	13,431
Frederick Smith	15%	13,431	-	-	13,431
David Spence	30%	386,884	-	-	386,884
Vicki Potts	27%	415,733	-	-	415,733
Eric Hamilton	27%	429,669	-	-	429,669
Omar Khalifa	-	35,976	-	35,976	-
Richard Bean	8%	38,028	-	-	38,028
Claude Brown	3%	8,923	-	-	8,923
Amanda Wallace	2%	7,494	-	-	7,494
Eve Hayter	9%	78,892	-	-	78,892

* Options issued to Bishopswood Holdings. This company is associated with Steve Cosser, a previous director who was re-appointed to the board on 11 July 2005, and Christopher North, current director of Unwired Group Limited. Fair Value of the options issued is $9,365,733, which includes the value of $3,421,856 attributed to Christopher North in the above table

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in Column B.
B = The value at grant date calculated in accordance with AASB 1046 *Director and Executive Disclosures by Disclosing Entities* of options granted during the year as part of remuneration.
C = The value of exercise date of options that were granted as part of remuneration and were exercised during the year.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

The number of options over ordinary shares held during the financial year by each director and executive including their personally-related entities, are set out in the table on the following page:

Remuneration report (continued)

	A	B	C	D	E	E
Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year*
Peter Shore	1,871,160	-	-	-	1,871,160	1,403,370
Philippe Amouyal	70,000	-	-	-	70,000	23,333
Andrew Kroger	70,000	-	-	70,000	-	-
Christopher North**	5,896,368	-	-	-	5,896,368	23,333
William Robinson	70,000	-	-	-	70,000	23,333
Frederick Smith	70,000	-	-	-	70,000	23,333
David Spence	2,000,000	-	-	-	2,000,000	666,666
Vicki Potts	926,500	-	-	-	926,500	463,250
Eric Hamilton	926,500	-	-	-	926,500	463,250
Omar Khalifa (resigned 6 May 2005)	600,000	-	-	600,000	-	-
Richard Bean	-	220,000	-	-	220,000	-
Claude Brown	150,000	-	-	-	150,000	50,000
Amanda Wallace	-	120,000	-	-	120,000	-
Eve Hayter	185,300	-	-	-	185,300	138,975

* No options are vested and unexercisable at the end of the year
** Options issued to Bishopswood Holdings. This company is associated with Steve Cosser, a previous director who was re-appointed to the board on 11 July 2005, and Christopher North, current director of Unwired Group Limited. 5,826,368 options are attributed to Chris North in the above table.

Shares under option
Unissued ordinary shares of Unwired Group Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Exercise Price	Number under option
18 December 2003	7 December 2007	US$ 0.5397	16,022,484
18 December 2003	31 December 2007	A$ 0.90	4,835,960
20 December 2003*	20 December 2008	A$ 0.90	210,000
27 January 2004	27 January 2009	A$ 0.90	2,000,000
10 March 2004	Various 2008/9	A$ 0.90	835,000
30 June 2004	Various 2009	A$ 0.90	510,000
28 August 2004	01 September 2009	A$ 0.90	220,000
30 March 2005	Various 2009/10	A$ 0.90	800,000
			25,433,444

* 70,000 options issued to Philippe Amouyal were cancelled following his resignation on 7 July 2005 and are not included in the above total.

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

Remuneration report (continued)

Shares issued on the exercise of options

No ordinary shares of Unwired Group Limited were issued during the year ended 30 June 2005 on the exercise of options granted under the Unwired Group Limited Employee Option Plan. No further shares have been issued since that date.

Loans to directors and executives
There were no loans to directors and executives in the year ending 30 June 2005.

Insurance of officers

During the financial year the consolidated entity paid a premium of $57,750 to insure the directors and officers of the company and its Australian-based controlled entities.

In the 2004 financial year a one-off premium of USD$251,000 was paid for a six year run off policy covering the directors and officers of Unwired Australia Pty Limited (previous and current) from 12 December 2003 to 11 December 2009. Additionally in 2004, the consolidated entity paid a premium of $192,500 for Prospectus Liability Insurance to cover the period from 12 December 2003 to 11 December 2009.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity. It also includes any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 21 to the financial statements.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor

- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 47.

Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of the directors.

L. Peter Shore
Chairman

Sydney
17 August 2005

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Auditors' Independence Declaration

As lead auditor for the audit of Unwired Group Limited for the year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit, and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Unwired Group Limited and the entities it controlled during the year.

Andrew J Parker
Partner
PricewaterhouseCoopers

Sydney
17 August 2005

Statements of Financial Performance
For the year ended 30 June 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Revenue from ordinary activities	3				
Revenues from operating activities		**11,492**	335	**-**	-
Revenues from outside of operating activities		**1,713**	2,000	**-**	29
		13,205	2,335	**-**	29
Expenses from ordinary activities	4				
Expenses relating to the provision of goods and services		**(9,357)**	(35)	**-**	-
Employee benefit expense		**(10,944)**	(3,784)	**-**	-
Marketing & product development expenses		**(6,157)**	(374)	**-**	-
IT expenses		**(428)**	(181)	**-**	-
Legal expenses		**(1,634)**	(224)	**-**	-
Rental expenses		**(499)**	(245)	**-**	-
Network expenses		**(3,140)**	(411)	**-**	-
General and administration expenses		**(3,256)**	(920)	**-**	(29)
Spectrum lease rental expense		**(2,917)**	(1,650)	**-**	-
Borrowing costs expense		**-**	(665)	**-**	-
Depreciation/Amortisation expense		**(15,646)**	(1,058)	**-**	-
		(53,978)	(9,549)	**-**	(29)
Loss from ordinary activities before related income tax expense		**(40,773)**	(7,214)	**-**	-
Income tax expense	5	**-**	-	**-**	-
Net loss attributable to members of Unwired Group Limited		**(40,773)**	(7,214)	**-**	-
		Cents	Cents		
Basic earnings per share		**(16.31)**	(5.22)		
Diluted earnings per share		**(16.31)**	(5.22)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Current assets					
Cash assets	6	**17,097**	67,045	-	-
Receivables	7	**703**	388	-	-
Inventories	8	**2,003**	53	-	-
Other assets	9	**5,342**	4,236	-	-
Total current assets		**25,145**	71,722	-	-
Non-current assets					
Receivables	10	**400**	-	98,121	98,121
Investment in controlled entities	11	**-**	-	116,937	116,937
Property, plant and equipment	12	**28,708**	20,669	-	-
Intangible assets	13	**117,494**	128,685	-	-
Total non-current assets		**146,602**	149,354	215,059	215,059
TOTAL ASSETS		**171,747**	221,076	-	-
Current liabilities					
Payables	14	**4,174**	12,134	-	-
Provisions	15	**122**	1	-	-
Other liabilities	16	**143**	771	-	-
Total current liabilities		**4,439**	12,906	-	-
Non-current liabilities					
Lease incentive liability	17	**236**	325	-	-
Total non-current liabilities		**236**	325	-	-
TOTAL LIABILITIES		**4,675**	13,231	-	-
NET ASSETS		**167,072**	207,845	215,059	215,059
EQUITY					
Contributed equity	18	**235,137**	235,137	235,137	235,137
Accumulated losses		**(68,065)**	(27,292)	(20,078)	(20,078)
TOTAL EQUITY		**167,072**	207,845	215,059	215,059

The above statements of financial position should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2005

	Notes	Consolidated 2005 $'000	Consolidated 2004 $'000	Parent entity 2005 $'000	Parent entity 2004 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**12,698**	399	-	11
Payments to suppliers and employees (inclusive of goods and services tax)		**(38,642)**	(7,852)	-	(39)
		(25,944)	(7,453)	-	28
Interest received		**1,833**	1,650	-	18
Interest paid		**(4)**	(692)	-	-
Income taxes received		**-**	-	-	-
Net cash outflow from operating activities	26	**(24,115)**	(6,495)	-	(10)
Cash flows from investing activities					
Net cash acquired on purchase of Unwired Australia Pty Limited		**-**	1,532	-	(997)
Payment for Spectrum Licence		**-**	(6,915)	-	-
Payments for short term money market investments		**(2,170)**	(439)	-	-
Receipts from short term money market investments		**439**	-	-	-
Payments for property, plant and equipment		**(22,738)**	(11,538)	-	-
Loans to related parties		**-**	-	-	(98,142)
Repayment of loans from related parties		**-**	-	-	(450)
Loans to other entities		**(400)**	-	-	-
Net cash outflow from investing activities		**(24,869)**	(17,360)	-	(99,589)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		**-**	98,804	-	98,804
Repayment of borrowings		**-**	(8,862)	-	-
Net cash inflow (outflow) from financing activities		**-**	89,942	-	98,804
Net (decrease) increase in cash held		**(48,984)**	66,087	-	(795)
Cash at the beginning of the financial year		**67,045**	795	-	795
Effects of exchange rate changes on cash		**(964)**	163	-	-
Cash at the end of the financial year	6	**17,097**	67,045	-	-

The above statements of cash flows should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006. Information about how the transition to Australian equivalents to IFRS is being managed, and the key differences in accounting policies that are expected to arise, is set out in note 1(r).

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Unwired Group Limited ("company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Unwired Group Limited and its controlled entities together are referred to in this financial report as the consolidated entity or group. The effects of all transactions between entities in the consolidated entity are eliminated in full. There are no outside equity interests in the results and equity of controlled entities, as all controlled entities are wholly owned subsidiaries (Note 11).

Where control of an entity is obtained during the financial year, its results are included in the consolidated statement of financial performance from the date on which control is obtained.

(b) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the statement of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

Unwired Group Limited and its wholly-owned Australian controlled entities are not a consolidated group under tax consolidation legislation.

(c) Foreign currency translation

(i) Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

(ii) Specific commitments

Hedging is undertaken in order to avoid or minimise possible adverse financial effects of movements in exchange rates. Any gains or losses arising on the hedging transaction after the recognition of the hedged purchase or sale are included in the statement of financial performance.

Note 1. Summary of significant accounting policies (continued)

When anticipated purchase or sale transactions have been hedged, actual purchases or sales which occur during the designated hedged period are accounted for as having been hedged until the amounts of those transactions in the designated period are fully allocated against the hedged amounts.

If the hedged transaction is not expected to occur as originally designated, or if the hedge is no longer expected to be effective, any previously deferred gains or losses are recognised as revenue or expense immediately.

In circumstances where a hedging transaction is terminated prior to maturity because the hedged transaction is no longer expected to occur as designated, any previously deferred gains and losses are recognised in the statement of financial performance on the date of termination.

If the hedge transaction is redesignated as a hedge of another commitment because the original purchase or sale transaction is no longer expected to occur as designated, the gains and losses that arise on the hedge prior to its redesignation are recognised in the statement of financial performance at the date of the redesignation.

(d) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(e) Revenue recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(i) Sale of goods: Revenue is recognised at the time of goods are purchased.

(ii) Sale of services: Fees for monthly access plans which are charged monthly in advance are allocated to the appropriate calendar month. Any income in advance at the end of an accounting period is not recognised as revenue in the financial statements, and is held as deferred revenue in the statement of financial position. Sign-on fees (less any discounts) are recognised at the point of account activation, as these fees relate to expenditure incurred to activate a new customer, and are non-refundable following the expiry of the group's 14 day money back guarantee.

(iii) Provision for 14 day money back guarantee: The group provides for new customer equipment purchases, sign up fees and service contracts each month as a reduction to recognised revenue based on historical returns experience.

(iv) Lease of spectrum: Spectrum lease income is recognised monthly in the period to which it relates.

(f) Receivables

All trade debtors are recognised at the amounts receivable as they are due for settlement. The collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

Note 1. Summary of significant accounting policies (continued)

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and freight and warehousing costs. Costs are assigned to individual items of stock on the basis of weighted average costs.

h) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. A decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The significant non current assets of the group are the spectrum licences and the wireless access network (recognised within property, plant and equipment). The expected net cash flows included in determining recoverable amounts of these non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate. The discount rate used was 14%(2004:14%).

The expected net cash flows included in determining the recoverable amount of the non current assets are expected to be delivered through the execution of a viable business plan based on a wireless local network in Sydney, and the delivery of telecommunication services over that network. The directors' immediate objective is to deliver on the business plan. The directors are aware that there are specific assumptions in the business plan that are subject to significant uncertainties and risks, including those relating to:

Market size and share
- market acceptance for the group's network and services
- establishing effective sales and distribution channels
- achieving budgeted customer levels
- size of future demand for new and existing broadband services in Australia

Pricing
- achieving the group's price strategy
- increased or extreme price competition by competitors

Competition
- deployment and development of alternative technologies, services, networks or products by competitors
- significant capital investment in addition to those already planned to remain competitive

Technology
- non-performance of network design or equipment to specifications
- scalability of the network to meet the expected customer demand

The directors believe the consolidated entity will be successful in achieving its strategic, operational and financial targets outlined in the business plan. As a result the directors are of the opinion that the recoverable amount of the non-current assets is greater than their carrying amount.

The directors will continue to monitor progress against the business plan and, where necessary, any required write-downs in carrying value of non current assets will be made.

Note 1. Summary of significant accounting policies (continued)

(i) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land and investment properties) over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Network	6 years
Shelters	25 years
IP network	10 years
Software & applications	3 years
Plant and equipment	3-6 years
Furniture & fittings	2–5 years
IT hardware	2–4 years

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate.

(j) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 5 years.

(k) Intangible Assets – spectrum licence

Spectrum licence assets are measured at cost (see Note 13). The amortisation of the spectrum licence assets is calculated on a straight line basis over the expected useful life of the asset, which is deemed to be the remaining licence term of 11 years 7 months commencing June 2004, based on the date that the first commercial customers were deployed on the network.

(l) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Web site costs

Costs in relation to web sites controlled by a controlled entity are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the controlled entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which vary from 2 to 5 years.

(n) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected

Note 1. Summary of significant accounting policies (continued)

future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(vi) Employee benefit on-costs

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vii) Equity-based compensation benefits

Equity-based compensation benefits are provided to employees via the Unwired Group Employee Share Option Plan. Information relating to this scheme is set out in note 23.

No accounting entries are made in relation to the Unwired Group Employee Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 20 include the assessed fair values of options at the date they were granted.

(o) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(q) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Note 1. Summary of significant accounting policies (continued)

(r) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The consolidated entity will be required to prepare financial statements using Australian Equivalents to International Financial Reporting Standards (AIFRS) in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006. In preparation for the transition, opening balances as at 1 July 2004 for the comparative half year ending 31 December 2004 and year ending 30 June 2005 will be converted to AIFRS in accordance with accounting standard AASB 1 First Time Adoption of Australian International Financial Reporting Pronouncements.

The group has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer and reports twice yearly to the audit committee. The project team has prepared a detailed timetable for managing the transition and is currently on schedule. To date the project team has analysed all of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Pronouncements. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown for each key area.

Although the adjustments disclosed in this note are based on the management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change due to:

1. Amended or additional standards or interpretations may be issued by the AASB and the IASB
2. Emerging accepted practice in the interpretation and application of AIFRS and Urgent Issues Group (UIG) Interpretations

Therefore, until the consolidated entity prepares its full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Reconciliation of net loss under AGAAP to that expected under AIFRS for the year ending 30 June 2005

	Note	Consolidated 2005 $'000	Parent 2005 $'000
Net loss as reported under AGAAP		(40,773)	-
Employee benefits expense	(ii)	(910)	(910)
Write-down of inventory	(iii)	(495)	-
Depreciation expense	(iv)	(36)	-
Net loss as expected under AIFRS		(42,214)	(910)

Note 1. Summary of significant accounting policies (continued)

Reconciliation of net assets as presented under AGAAP to that expected under AIFRS at 30 June 2005

	Note	Consolidated 2005 $'000	Parent 2005 $'000
Net assets under AGAAP		167,072	215,059
Investment in subsidiaries	(ii)	-	1,234
Share-based payment reserve	(ii)	(1,234)	(1,234)
Employee benefits expense	(ii)	1,234	-
Provision for inventory obsolescence	(iii)	(495)	-
Provision for assets retirement obligation	(iv)	(180)	-
Written down value of fixed assets under retirement obligation	(iv)	142	-
Expected balance at the end of the year under AIFRS		166,539	215,059

(i) Recoverable amount of non current assets
AASB 136 Impairment of Assets requires that all non-current assets for which changes in fair value are not reflected in the statement of financial position are assessed for indications of impairment at least annually. Tests for impairment are required when indicators exist. These requirements will apply to intangible and tangible assets such as spectrum licences and property, plant and equipment. Any amount by which the carrying amount of an asset exceeds its recoverable amount is considered an impairment loss. The recoverable amount of an asset is the higher of fair value less costs to sell or value in use. Value in use is estimated using the net present value of the future pre-tax cash flows.

AASB 136 also requires recoverable amount to be determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, recoverable amount is determined for the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For the group's non-current assets, relevant cash flows have been discounted and estimated based on the AASB 136 guidelines, which include the maximum period to be covered by the cash flow forecasts and the estimated growth rate thereafter, and the exclusion of enhancement-type capital expenditure.

As the recoverable amount has been estimated to exceed the carrying amount under both previous AGAAP and AIFRS, there is no impact on the consolidated financial statements at 30 June 2005 of the differences in the recoverable value of spectrum license and property, plant and equipment that result from the application of AASB 136.

(ii) Equity-based compensation benefits
The consolidated entity has elected to adopt the exemption under AASB 1 First time adoption of Australian Equivalents to International Financial Reporting Standards and has not valued options issued to employees after 7 November 2002 which vested before 1 January 2005. Options issued to Employees under the Employee Option Plan after 7 November 2002 that had not vested by 1 January 2005 are recognised as an expense under AASB 2 Share-based Payment.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation.

Note 1. Summary of significant accounting policies (continued)

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, consolidated entity accumulated losses would have increased on transition date (1 July 2004) by $324,000. Accumulated losses would have further increased by $910,000 at 30 June 2005 with corresponding increases in the share-based payment reserve and employee entitlements expense. The parent entity investments in subsidiaries would have increased by $324,000 at 1 July 2004 and further increased by $910,000 at 30 June 2005 with corresponding increases in the share-based payment reserve.

(iii) Inventories
Under previous AGAAP and AASB 102 Inventories, inventory is valued at the lower of cost or net realisable value.

The consolidated entity sells modems to its retail channel at a discount to the cost of those modems. Under previous AGAAP, the loss on the sale of these modems is recognised as a cost of sale at the time of sale to the retailer at which point the related revenue is also recognised net of an allowance for sales returns. Management consider that the excess of the carrying value of the modems over the selling price is recoverable through future revenues earned by the customer's use of the Unwired network.

Under AIFRS, the discount does not qualify for recognition under AASB 138, Intangible Assets because the subsequent plan revenue following the sale of modems to the customer is not contractually enforceable on the customer. As a consequence, the expected future revenue from the customer is excluded from the calculation of net realisable value under AASB 102. If the policy under AASB 102 had been applied, inventory value would decrease by $495,000 at 30 June 2005 with a corresponding increase in the accumulated losses. No adjustment would be required to be made to opening balances at 1 July 2004.

(iv) Asset Retirement Obligations
Under AASB 116, Property, Plant and Equipment, the cost of property, plant and equipment includes an initial estimate of the cost of the removal of items, site restoration and other similar make good allowances. A corresponding provision for these costs is also made. Under previous AGAAP, these costs were not recognised as a component of cost of property, plant and equipment.

If the policy required by AASB 116 had been applied during the year ended 30 June 2005, property, plant and equipment in the consolidated entity would have been higher by $178,000 at 1 July 2004 and $142,000 at 30 June 2005. Provisions would have been $180,000 higher at 1 July 2004 and 30 June 2005 in the consolidated entity and accumulated depreciation and accumulated losses would have been $2,000 higher at 1 July 2004 and $38,000 at 30 June 2005 in the consolidated entity.

(v) Income tax
Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

Whilst the application of AASB 112 may give rise to the identification of additional temporary

differences, there is no change in the deferred tax balances recognised in the consolidated statement of financial position or in income tax charge recognised in the consolidated statement of financial performance because management continue to believe that the recognition of the resulting potential deferred tax asset is not appropriate under either previous AGAAP or AIFRS.

(vi) Business Combinations
The consolidated entity has elected to apply the exemption under AASB 1 Adoption of Australian Equivalents to International Financial Reporting Standards to grandfather business combinations before the transition date. As a consequence the consolidated entity will not be restating the business combination arising from the acquisition of Unwired Australia Pty Ltd by Unwired Group Limited (previously Breathe Group Limited) on 12 December 2003.

(vii) Financial instruments
The consolidated entity will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 July 2005. This allows the economic entity to defer implementation of these standards to 1 July 2005. Management has assessed that there is no material impact of these standards on the consolidated entity in the year to 30 June 2005 and will need to assess any financial instruments on an ongoing basis.

(s) Leased assets
A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated against rental expense and reduction of the liability.

Other operating leases are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(t) Borrowing costs
Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on short-term borrowings.

Note 2. Segment Information

The business operates in one industry segment, being a wireless local loop access provider, and one geographical segment being Australia.

Note 3. Revenue

	Consolidated		**Parent entity**	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Revenue from operating activities				
Sale of goods	**4,506**	7	**-**	-
Services	**6,905**	3	**-**	-
Spectrum leases	**81**	325	**-**	-
	11,492	335	**-**	-

Note 3. Revenue (continued)

Revenue from outside the operating activities				
Interest received	**1,713**	1,826	**-**	18
Net foreign exchange gain (Note 4)	**-**	161	**-**	-
Other	**-**	13	**-**	11
	1,713	2,000	**-**	29

Note 4. Net gains and expenses

Profit from ordinary activities before related income tax expense include the following specific net gains and expenses:

	Consolidated		**Parent entity**	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Expenses:				
Cost of goods sold	**7,331**	9	**-**	-
Cost of services provided	**2,026**	26	**-**	-
	9,357	35	**-**	-
Foreign exchange loss (gain) - realised	**335**	(163)	**-**	-
Foreign exchange loss - unrealised	**-**	2	**-**	-
	335	(161)	**-**	-
Depreciation of PP&E	**4,456**	126	**-**	-
Amortisation of spectrum licence	**11,190**	932	**-**	-
Rental expense relating to operating leases:				
Minimum operating lease payments	**587**	378	**-**	-
Lease incentive	**(88)**	(29)	**-**	-
	499	349	**-**	-
Borrowing costs	**-**	665	**-**	-

Note 5. Income tax

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
The income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:				
Loss from ordinary activities before income tax expense	**(40,773)**	(7,214)	**-**	-
Income tax calculated @ 30%	**(12,232)**	(2,164)	**-**	-
Tax effect of permanent differences:				
Sundry items	**12**	282	**-**	-
Non-deductible amortisation	**517**			
Deductible transaction costs arising on the issue of equity instruments recognised directly in equity	**(372)**	(372)	**(372)**	(372)
	(12,075)	(2,254)	**(372)**	(372)
Future income tax balances not recognised	**12,075**	2,254	**372**	372
Income tax expense	**-**	-	**-**	-

Tax losses

The directors estimate that the potential future income tax benefit not brought to account is:	**13,064**	2,263	**744**	372

This benefit of tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
(ii) the losses are transferred to an eligible entity in the consolidated entity, and
(iii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
(iv) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Note 6. Current assets – Cash assets

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**9,994**	16,795	**-**	-
Term deposits*	**1,157**	1,633	**-**	-
Short-term money market investments	**5,946**	48,617	**-**	-
	17,097	67,045	**-**	-

*Maturity prior to 1 October 2005. Rates on term deposits range from 5.46% and 5.73%

*The consolidated entity had $3,327,000 term deposits at 30 June 2005. This included $2,170,000 in term deposits which are restricted cash balances held for security by certain creditors as per note 9 Current assets – Other.

Note 7. Current assets – Receivables

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Trade debtors	**576**	-	**-**	-
Less provision for doubtful debts	**(97)**	-	**-**	-
Net trade debtors	**479**	-	**-**	-
Other debtors	**89**	11	**-**	-
Net GST receivable	**135**	377	**-**	-
	703	388	**-**	-

Note 8. Current assets - Inventories

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Trade stocks at net realisable value	**2,003**	53	**-**	-

Note 9. Current assets – Other

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Deposits to vendors	**89**	2,086	-	-
Prepayments	**2,983**	1,535	-	-
Term deposits*	**2,170**	439	-	-
Interest receivable	**40**	176	-	-
Other	**60**	-	-	-
	5,342	4,236	-	-

*The consolidated entity had $3,327,000 term deposits at 30 June 2005. This included $2,170,000 in term deposits which are restricted cash balances held for security by certain creditors (above)) and $1,157,000 recognised as cash assets (Note 6 – Current assets – Cash assets).

Note 10. Non-current assets – Receivables

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Loan to Unwired Australia Pty Limited	**-**	-	**98,121**	98,121
Loan to supplier	**400**	-	**-**	-
	400	-	**98,121**	98,121

Note 11. Non-current assets - Investments in controlled entities

			Equity Holding	
Name of entity	**Country of Incorporation**	**Class of Shares**	**30 June 2005**	**30 June 2004**
Unwired Australia Pty Limited	Australia	Ordinary	100%	100%
AKAL Pty Limited *	Australia	Ordinary	100%	100%
Unwired Country Pty Limited *	Australia	Ordinary	100%	100%
BKAL Pty Limited **	Australia	Ordinary	100%	100%

* this entity is a subsidiary of Unwired Australia Pty Limited
** this entity is a subsidiary of Akal Pty Limited

Acquisition of Controlled Entity

On 12 December 2003, Unwired Group Limited (formerly Breathe Group Limited) acquired 100% of the issued share capital of Unwired Australia Pty Limited for consideration of 128,821,823 ordinary shares of Unwired Group Limited.

Note 12. Non-current assets – Property, plant & equipment

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Assets at Cost				
Plant & equipment – at cost	**29,411**	4,856	**-**	-
Work in progress	**3,110**	15,258	**-**	-
Leasehold improvements – at cost	**769**	681	**-**	-
	33,290	20,795	**-**	-
Accumulated Depreciation/Amortisation				
Plant & equipment	**(4,401)**	(92)	**-**	-
Leasehold improvements	**(181)**	(34)	**-**	-
	(4,582)	(126)	**-**	-
Net Book Value				
Plant & equipment	**25,010**	4,764	**-**	-
Work in progress	**3,110**	15,258	**-**	-
Leasehold improvements	**588**	647	**-**	-
	28,708	20,699	**-**	-

Reconciliation of the carrying amount of each class of property, plant & equipment at the beginning and end of the current financial year :

Consolidated	**Plant & Equipment**	**Work in Progress**	**Leasehold Improve-ments**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Carrying amount as at 1 July 2004	**4,764**	**15,258**	**647**	**20,669**
Additions	**-**	**12,498**	**-**	**12,498**
Depreciation	**(4,309)**	**-**	**(147)**	**(4,456)**
Sale of assets	**(3)**	**-**	**-**	**(3)**
Transfers	**24,558**	**(24,646)**	**88**	**-**
Carrying amount as at 30 June 2005	**25,010**	**3,110**	**588**	**28,708**

Note 12. Non-current assets – Property, plant & equipment (continued)

Parent Company	Plant & Equipment $'000	Work in Progress $'000	Leasehold Improvements $'000	Total $'000
Carrying amount as at 1 July 2004 and 30 June 2005	-	-	-	-

Note 13. Non-current assets – Intangible Assets

	Consolidated		Parent entity	
Assets at Cost	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Spectrum Licence	**129,617**	129,617	-	-

	Consolidated		Parent entity	
Accumulated Amortisation	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Spectrum Licence	**(12,123)**	(932)	-	-

	Consolidated		Parent entity	
Net Book Value	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Spectrum Licence	**117,494**	128,685	-	-

Note 14. Current liabilities – Payables

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Trade creditors	**982**	7,331	-	-
Other creditors	**2,386**	4,326	-	-
Employee benefits	**806**	477	-	-
	4,174	12,134	-	-

Note 15. Current liabilities – Provisions

	Consolidated		Parent entity	
	2005 $'000	2004 $'000	**2005 $'000**	2004 $'000
Customer guarantee	**122**	1	-	-

Note 16. Current liabilities – Other

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Foreign exchange hedge liability	**55**	683	**-**	-
Lease incentive	**88**	88	**-**	-
	143	771	**-**	-

Foreign exchange hedge liability arises as a result of the group policy which requires forward protection against USD fluctuation by purchasing USD cash for known future commitments 6 months in advance. In accordance with AASB 1012 and the accounting policies listed in Note 1(c)(ii), foreign currency is revalued at year end, with the subsequent unrealised gains or loss recognised on the Statement of Financial Position, providing certain hedge accounting criteria are met.

Note 17. Non-current liabilities – Lease incentive liability

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$000	$000	**$000**	$000
Lease incentive	**236**	325	**-**	-

Note 18. Contributed equity

(a) Share capital

	2005 Shares	2004 Shares	**2005 $000**	2004 $000
Ordinary shares – fully paid	**250,729,803**	249,720,097	**235,137**	235,137
Options over ordinary shares	**25,503,444**	25,303,444		

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
Share capital	**$000**	$000	**$000**	$000
Contributed equity	**235,137**	235,137	**235,137**	235,137
Accumulated losses				
Accumulated losses at the beginning of the financial year	**(27,292)**	(20,078)	**(20,078)**	(20,078)
Net loss for the year	**(40,773)**	(7,214)	**-**	-
Accumulated losses at the end of the financial year	**(68,065)**	(27,292)	**(20,078)**	(20,078)
Total net equity at the end of the financial year	**167,072**	207,845	**215,059**	215,059

Note 18. Contributed equity (continued)

(b) Movement in share capital

Date	Details	Number of Shares	Issue $	$'000
Balance at 30 June 2004		249,720,097		235,137
10 March 05	Issuance of shares*	1,009,706	-	-
Balance at 30 June 2005		**250,729,803**		**235,137**

* 1,009,706 shares were issued on 10 March 2005 for nil consideration due to an administrative error in the allocation of shares issued in December 2003.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Shareholder information

Rank	Shareholder	Number of Issued Shares	%age of Issued Capital
1	Artal Services NV	24,660,118	9.84%
2	BRS Telecom (Holding) SPRL	19,966,075	7.96%
3	Capital Group	18,472,334	7.37%
4	CSFB (UNW) IEP SPRL	16,002,971	6.38%
5	Garnet Investments Limited	15,145,496	6.04%
6	Herschel Capital Partners	11,437,188	4.56%
7	Bishopswood Holdings Limited	8,956,579	3.57%
8	Allco & AIB & Monnetti & D Coe	8,330,032	3.32%
9	Jupiter Asset Mgt	7,231,085	2.88%
10	Westpac Custodian Nominees Limited	6,998,362	2.79%
11	UBS Global Asset Mgt (Group)	6,329,801	2.52%
12	T Rowe Price Associates (Group)	6,212,644	2.48%
13	CSFB (UNW) Co-Investors SPRL	5,816,104	2.32%
14	W H Ireland Group	3,971,621	1.58%
15	Richard & Heather Penn	3,706,000	1.48%
16	Gerald Harvey	3,615,000	1.44%
17	Minnamurra Partners Pty Limited	3,452,000	1.38%
18	ES Group Ventures Pty Limited	2,849,099	1.14%
19	Rathbone Investment Mgt	2,515,054	1.00%
20	Accident Compensation Corporation	2,137,031	0.85%
	Top 20 Shareholders	**177,804,594**	**70.90%**
	Total Shares Issued	**250,729,803**	**100.00%**

Note 18. Contributed equity (continued)

(d) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Class of equity security			
	Ordinary shares		Options	
	Holders	Units	Holders	Units
1 – 1,000	1,022	228,041	–	–
1,001 – 5,000	843	2,643,107	–	–
5,001 – 10,000	544	4,626,523	1	10,000
10,001 – 100,000	811	24,070,557	16	900,000
100,001 and over	114	219,161,575	22	24,595,444
	3,334	250,729,803	39	25,503,444

There were 1,150 holders of less than a marketable parcel (1,667 shares) of ordinary shares.

Note 19. Financial instruments

(a) Foreign exchange risk

Unwired Group Limited and its controlled entities are not parties to derivative financial instruments in the normal course of business.

The consolidated entity is exposed to foreign exchange risk resulting from key contracts requiring payment in US dollars (USD). Foreign exchange risk is managed in accordance with internal policy which requires 'natural hedging' of future USD commitments through the purchase of USD on recognition of the commitment, provided the commitment is no greater than 6 months forward.

USD purchased as a 'natural hedge' are revalued at spot rate at reporting date with subsequent gains or losses recorded in the Statement of Financial Position as a hedge asset or liability (Note 16), provided the hedge is still considered to be effective.

Where a hedge is not considered to be effective, any deferred gains or losses are recognised in the statement of financial performance immediately. USD may be redesignated as a hedge, with resulting gains and losses deferred in the statement of financial position from this reporting date.

Any foreign currency held which is not allocated to part of a hedge against future commitments is also revalued at spot rate at each reporting date, with gains or losses being reported as unrealised in the statement of financial performance.

(b) Credit risk exposures

Bank bills and commercial papers which have been purchased at a discount to face value are carried on the statement of financial position at their purchase value (Note 6), with the accrued interest at reporting date included in interest receivable (Note 9). The consolidated entity does not have a significant credit risk exposure.

(c) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk is limited to cash at bank (Note 6), with all other financial assets being secured at fixed rates. Cash at bank consists primarily of AUD and USD cash held in overnight deposits and transactional bank accounts which are subject to interest rate variances. The consolidated entity holds no financial debt other than trade creditors.

Note 19. Financial instruments (continued)

2005	**Notes**	**Floating interest rate** $'000	**Fixed interest maturing in: 1 year or less** $'000	**Over 1 to 5 years** $'000	**More than 5 years** $'000	**Non-interest bearing** $'000	**Total** $'000
Financial assets							
Cash at bank and on hand	6,9	9,994	3,327	–	–	–	13,321
Receivables	7	-	–	–	–	614	614
Short term money market deposits	6	–	5,946	–	–	–	5,946
		9,994	9,273	–	–	614	19,881
Weighted average interest rate		3.20%	5.61%				
Financial liabilities							
Trade and other creditors	14	–	–	–	–	3,368	3,368
Foreign exchange hedge liability	16	–	–	–	–	54	54
		–	–	–	–	3,422	3,422
Net financial assets (liabilities)		9,994	9,273	–	–	(2,808))	16,459

2004

Financial assets							
Cash at bank and on hand	6,9	16,795	2,072	–	–	–	18,867
Receivables	7	388	-	–	–	–	388
Short term money market deposits	6,8	-	48,617	–	–	–	48,617
		17,183	50,689	–	–	–	67,782
Weighted average interest rate		1.42%	5.47%				
Financial liabilities							
Trade and other creditors	14	–	–	–	–	12,014	12,014
Foreign exchange hedge liability	16	–	–	–	–	683	683
		–	–	–	–	12,697	12,697
Net financial assets (liabilities)		17,183	50,689	–	–	(12,697)	55,175

Note 20. Director and executive disclosures

Directors

The following persons were directors of Unwired Group Limited during the year and up to the date of this report:

- Peter Shore, non-executive Chairman
- Philippe Amouyal non-executive director resignation effective 7 July 2005.
- Christopher North, non-executive director
- Frederick Smith, non-executive director
- Andrew Kroger, non-executive director, resignation effective 20 May 2005.
- William Robinson, non-executive director
- David Spence, executive director
- Michael Burgess, non-executive director, appointment effective 11 July 2005.
- Steve Cosser, non-executive director, appointment effective 11 July 2005.

Company secretary

The company secretary is Robert Mangioni BA, LLB. Robert was appointed to the position of company secretary on 12 December 2003. He was previously company secretary of Unwired Australia Pty Limited from 2000. Robert is also a partner of legal firm Watson Mangioni.

Richard Bean, the General Counsel to the consolidated entity, has also been appointed to the position of company secretary.

Cash bonuses and options

For each cash bonus and grant of options included in the above tables, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out in the table below. No part of the bonuses or grants of options are payable in future years.

	Cash bonus		Options	
Name	Paid %	Forfeited %	Vested %	Forfeited %
Peter Shore	-	-	100%	-
Philippe Amouyal	-	-	100%	-
Andrew Kroger	-	-	100%	-
Christopher North	-	-	100%	-
William Robinson	-	-	100%	-
Frederick Smith	-	-	100%	-
David Spence	89%	11%	100%	-
Vicki Potts	100%	-	100%	-
Eric Hamilton	100%	-	100%	-
Omar Khalifa	100%	-	-	100%
Richard Bean	100%	-	100%	-
Claude Brown	93%	7%	100%	-
Amanda Wallace	100%	-	100%	-
Eve Hayter	100%	-	100%	-

**Fees payable to directors who were also employees or directors of associated companies were paid to the associated companies rather than to these directors*.

Note 20. Director and executive disclosures (continued)

Share-based compensation

Share options granted to directors and the most highly remunerated officers
Options over un-issued ordinary shares of Unwired Group Limited granted during or since the end of the financial year to any of the directors and the seven executives with greatest authority for the strategic direction and operational management of the consolidated entity (these executives also received the highest remuneration for the year ended 30 June 2005) as part of their remuneration were as follows:

	Date Granted	Final Vesting	Expiry	Exercise Price	Number of options granted
ESOP options					
Richard Bean	28/08/04	01/09/05	01/09/09	$0.90	73,333
Richard Bean	28/04/04	01/09/06	01/09/09	$0.90	73,333
Richard Bean	28/04/04	01/09/07	01/09/09	$0.90	73,334
					220,000
Amanda Wallace	12/07/04	15/07/05	15/07/09	$0.90	40,000
Amanda Wallace	12/07/04	15/07/06	15/07/09	$0.90	40,000
Amanda Wallace	12/07/04	15/07/07	15/07/09	$0.90	40,000
					120,000

All options granted under the ESOP after 12 December 2003 have performance criteria which must be met before vesting. Total shareholder return is the measure used to determine vesting (for these purposes, total shareholder return is the growth in share price plus dividend notionally reinvested in the shares). The options will vest on the following basis:

(D) for the Options in any tranche to vest, during the relevant measurement periods Unwired will need to outperform a peer group of 45 companies in the $200 million to $400 million market cap range on the Australian Stock Exchange;

(E) the Options in a particular tranche will vest as follows:
- (v) no Options will vest if Unwired performs below the 50th percentile;
- (vi) at the 50th percentile, 50% of the Options will vest;
- (iv) above the 50th percentile, up to the 75th percentile, a pro rata share of the remaining 50% of
- (vii) the Options will vest up to 100% at the 75th percentile; and
- (viii) at the 75th percentile, 100% of the Options will vest; and

(F) the initial measurement periods for the Options for the purposes of the preceding paragraph are:
- (v) for the Tranche 1 Options (the first year's tranche), calendar 2004;
- (vi) for the Tranche 2 Options (the second year's tranche), calendar 2004 and 2005; and
- for the Tranche 3 Options (the third year's tranche), calendar 2004, 2005 and 2006.

The amounts disclosed for emoluments relating to options above is the assessed fair value at grant date of options granted to executive directors and other executives, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value of options was calculated independently for the company by Horwath Partners.

Note 20. Director and executive disclosures (continued)

The model inputs for options granted during the year ended 30 June 2005 included:
(g) options are granted for no consideration
(h) vesting dates, exercise dates, grant dates and expiry dates are as shown for each individual in the table above
(i) share prices are collected for the grant date
(j) expected price volatility of the company's shares: 40% to 76%, volatility varies by grant date
(k) expected dividend yield: 0%
(l) risk-free interest rate: 4.74% to 6.24% (based on the relevant indicative yield applicable to Commonwealth Treasury fixed coupon bonds maturing at the dates of the various adopted expected lives prevailing at the grant dates.

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as laid out in the preceding tables for each Director and senior executive.

Further details relating to options are set out below:

	A	B	C	D	E
Name	Remuneration consisting of options	Value at grant date $	Value at exercise date $	Value at lapse date $	Total of columns B-D $
Peter Shore	71%	1,028,618	-	-	1,028,618
Philippe Amouyal	15%	13,431	-	-	13,431
Andrew Kroger	-	13,431	-	13,431	-
Christopher North*	13%	3,421,856	-	-	3,421,856
William Robinson	15%	13,431	-	-	13,431
Frederick Smith	15%	13,431	-	-	13,431
David Spence	30%	386,884	-	-	386,884
Vicki Potts	27%	415,733	-	-	415,733
Eric Hamilton	27%	429,669	-	-	429,669
Omar Khalifa	-	35,976	-	35,976	-
Richard Bean	8%	38,028	-	-	38,028
Claude Brown	3%	8,923	-	-	8,923
Amanda Wallace	2%	7,494	-	-	7,494
Eve Hayter	9%	78,892	-	-	78,892

* Options issued to Bishopswood Holdings. This company is associated with Steve Cosser, a previous director who was re-appointed to the board on 11 July 2005, and Christopher North, current director of Unwired Group Limited. Fair Value of the options issued is $9,365,733, which includes the value of $3,421,856 attributed to Christopher North in the above table

A = The percentage of the value of remuneration consisting of options, based on the value at grant date set out in Column B.
B = The value at grant date calculated in accordance with AASB 1046 *Director and Executive Disclosures by Disclosing Entities* of options granted during the year as part of remuneration.
C = The value of exercise date of options that were granted as part of remuneration and were exercised during the year.
D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year.

Note 20. Director and executive disclosures (continued)

The number of options over ordinary shares held during the financial year by each director and executive including their personally-related entities, are set out below:

	A	B	C	D	E	E
Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year*
Peter Shore	1,871,160	-	-	-	1,871,160	1,403,370
Philippe Amouyal	70,000	-	-	-	70,000	23,333
Andrew Kroger	70,000	-	-	70,000	-	-
Christopher North**	5,896,368	-	-	-	5,896,368	23,333
William Robinson	70,000	-	-	-	70,000	23,333
Frederick Smith	70,000	-	-	-	70,000	23,333
David Spence	2,000,000	-	-	-	2,000,000	666,666
Vicki Potts	926,500	-	-	-	926,500	463,250
Eric Hamilton	926,500	-	-	-	926,500	463,250
Omar Khalifa (resigned 6 May 2005)	600,000	-	-	600,000	-	-
Richard Bean	-	220,000	-	-	220,000	-
Claude Brown	150,000	-	-	-	150,000	50,000
Amanda Wallace	-	120,000	-	-	120,000	-
Eve Hayter	185,300	-	-	-	185,300	138,975

* No options are vested and unexercisable at the end of the year

** Options issued to Bishopswood Holdings. This company is associated with Steve Cosser, a previous director who was re-appointed to the board on 11 July 2005, and Christopher North, current director of Unwired Group Limited. 5,826,368 options are attributed to Chris North in the above table.

Loans to directors and executives

There were no loans to directors and executives in the year ending 30 June 2005.

Note 21. Remuneration of auditors

	Consolidated	
	2005	2004
	$'000	$'000
During the year the following services were paid to the auditor of the parent entity, its related practices and non-related audit firms:		
Assurance services		
1. Audit services		
Fees paid to PricewaterhouseCoopers Australian firm for audit and review of financial reports and other audit work under the *Corporations Act 2001*	**100**	85
Total remuneration for audit services	**100**	85

Note 21. Remuneration of auditors (continued)
2. Other assurance and accounting advice services

	2005	2004
Fees paid to PricewaterhouseCoopers Australian firm and related entities:		
Audit of regulatory returns	**2**	2
Accounting advice	**30**	-
Due diligence services	**-**	110
Controls assurance services	**-**	12
IFRS accounting advice	**17**	8
	49	132
Fees paid to RSM Bird Cameron audit firm (auditors to December 2003)	**-**	9
Total remuneration for other assurance services	**49**	141
Total remuneration for audit assurance services	**149**	226
Tax advisory services		
Fees paid to PricewaterhouseCoopers Australian firm:	**88**	-
Tax compliance services, including review of company income tax returns	**11**	27
Fees paid to RSM Bird Cameron	**-**	2
Total remuneration for taxation services	**99**	29
Advisory services		
Fees paid to PricewaterhouseCoopers for advisory services	**29**	1
Total remuneration for advisory services	**29**	1

Note 22. Commitments for expenditure

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Remuneration commitments				
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:				
Within one year	**500**	450	**-**	**-**
Later than one year but not later than 5 years	**289**	709	-	-
Later than 5 years	**-**	-	-	-
	789	1,159	-	-
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**1,546**	1,821	**-**	**-**
Later than one year but not later than 5 years	**6,551**	7,810	-	-
Later than 5 years	**5,359**	2,675	-	-
	13,456	12,306	-	-
Capital commitments				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**434**	2,801	-	-
Later than one year but not later than 5 years	**–**	–	-	-
	434	2,801	-	-

Note 22. Commitments for expenditure (continued)

Operating commitments

Commitments for operating expenses and acquisition of inventory contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year – related parties*	**-**	563	-	-
Within one year – non-related parties	**1,485**	2,289	-	-
Later than one year but not later than 5 years – related parties*	**-**	2,199	-	-
Later than one year but not later than 5 years – non-related parties*	**1,637**	-	-	-
	3,122	5,051	-	-

Note 23. Employee benefits

	Consolidated		**Parent entity**	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Employee benefit and related on-costs liabilities				
Payables – current (Note 14)*	**806**	477	**-**	-

	2005	2004	**2005**	2004
	Number		**Number**	
Employee numbers				
Average number of employees during the financial year	**69**	29	**-**	-

*Employee benefits liabilities consist primarily of accrued leave entitlements and accrued bonuses. No provision for long service leave is recognised at reporting date.

Employee Share Option Plan

Options may be granted to employees of Unwired Goup Limited as part of their overall remuneration package. The granting of options is done so at the discretion of the Chief Executive Officer and subject to approval by the board of directors.

Options granted to employees at the date of listing (12 December 2003) will vest in 4 equal tranches with all due to expire on 31 December 2007. Options granted to employees after the listing date will vest in 3 tranches, each at the anniversary date of issue, and will expiry 5 years from the date of issue.

Options are granted under the plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

The exercise price of all options issued under the employee share option plan is $0.90.

Note 23. Employee benefits (continued)

Set out below are summaries of options granted under the plan.

Grant date	Expiry date	Exer-cise price	Balance at start of the year	Issued during the year	Exercised or lapsed during the year	Balance at end of the year
18 December 2003	31 December 2007	$0.90	4,835,960	-	-	4,835,960
27 January 2004	27 January 2009	$0.90	2,000,000	-	-	2,000,000
10 March 2004	Various dates 2008/9	$0.90	925,000	-	90,000	835,000
30 June 2004	Various dates in 2009	$0.90	1,520,000	-	1,010,000	510,000
28 August 2004	01 September 2009	$0.90	-	220,000	-	220,000
30 March 2005	Various dates in 2009/10	$0.90	-	800,000	-	800,000
Total			9,280,960	1,020,000	1,100,000	9,200,960

As at reporting date 4,212,049 options held by employees of Unwired Group Limited had vested.

Note 24. Related parties

Directors and specified executives

Disclosures relating to directors and specified executives are set out in the Directors' Report.

Wholly-owned group

The wholly-owned group consists of Unwired Group Limited (formerly Breathe Group Limited) and its wholly-owned controlled entities, Unwired Australia Pty Limited, Unwired Country Pty, Limited, Akal Pty Limited and Bkal Pty Limited. Ownership interests in these controlled entities are set out in Note 11.

Transactions between Unwired Group Limited and other entities in the wholly-owned group during the years ended 30 June 2005 and 2004 consisted of loans advanced to Unwired Australia Pty Limited (Note 10).

	Parent entity	
	2005	2004
	$'000	$'000
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Non-current receivables	**98,121**	98,121

Other related parties

Aggregate amounts brought to account in relation to other transactions with each class of other related parties:

	Consolidated		Parent entity	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Reimbursement of expenses paid to directors of other related parties**	**47**	2,811	**--**	–
Payments to Uecomm Pty Limited for lease of fibre backbone and data terminations services***	**-**	3,422	**--**	–
Payments to Watson Mangioni for legal services****	**220**	6,477	**--**	–

** Refers to reimbursement of expenses to Directors mainly for travel expenses incurred to attend the AGM in October 2004.
***Uecomm Operations Pty Limited are the suppliers of fibre backbone and data termination services for the Unwired Group Limited network. Peter Shore, chairman of Unwired Group Limited, was concurrently the chairman of Uecomm Operations Pty Limited until his resignation on 29 October 2004. Payments to Uecomm of $1,502k during the year have not been included in related party payments as Uecomm was no longer a related party of Unwired at 30 June 2005.

Note 24. Related parties (cont)

****The company secretary of Unwired Group Limited, Robert Mangioni, is a partner of Watson Mangioni. Watson Mangioni were paid $220,000 for legal services in the year ended 30 June 2005.

Note 25. Deed of cross guarantee

Unwired Group Limited, Unwired Australia Pty Limited, Unwired Country Pty Limited, Akal Pty Limited and Bkal Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. Unwired Country Pty Limited became a party to the deed and a member of the Closed Group by an assumption deed dated 27 July 2005. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321, 01/1087, 02/0248, 02/1017, 04/663, 04/682, 04/1624 and 05/542) issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Unwired Group Limited, they also represent the 'Extended Closed Group'.

Note 26. Reconciliation of profit from ordinary activities after income tax to net cash flow from operating activities

	Consolidated		**Parent entity**	
	2005	2004	**2005**	2004
	$'000	$'000	**$'000**	$'000
Loss from ordinary activities after related income tax	**(40,773)**	(7,214)	**-**	-
Depreciation and amortisation	**15,646**	1,057	**-**	-
Net exchange differences	**335**	(163)	**-**	-
Change in operating assets and liabilities	**-**	-	**-**	-
Net (gain)loss on sale of non-current assets	**1**	-	**-**	-
(Increase) in receivables (non-capital)	**(227)**	(388)	**-**	20
(Increase) in inventories	**(1,950)**	(53)	**-**	-
Decrease(Increase) in other operating assets	**627**	(2,281)	**-**	-
Increase (decrease) in trade creditors (non-capital)	**2,049**	1,330	**-**	(30)
Increase (decrease) in other operating liabilities	**(88)**	1,096	**-**	-
Increase in employee benefits liabilities and other provisions	**265**	121	**-**	-
Net cash outflow from operating activities	**(24,115)**	(6,495)	**-**	(10)

Note 27. Earnings per share

	Consolidated	
	2005	2004
	Cents	Cents
Basic earnings per share	**(16.31)**	(5.22)
Diluted earnings per share	**(16.31)**	(5.22)

	Consolidated	
Weighted average number of shares used as the denominator	**2005**	2004
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share and diluted earnings per share	**250,032,689**	138,172,763

Note 28. Subsequent events

Details of subsequent events are set out on page 3 of the directors' report.

The net loss from ordinary activities after related income tax expense of $40,773,000 (2004: $7,214,000 loss) as used as the basis of earnings in calculating basic and diluted earnings per share.

Unwired Group Limited
Directors declaration
30 June 2005

In the directors' opinion:

1. the financial statements and notes set out on pages 17 to 45 and remuneration disclosures on pages 6 to 14 are in accordance with the *Corporations Act 2001*, including:

   a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   b) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

2. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
3. At the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 25.

The directors have been given declarations by the chief executive officer and the chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

L. Peter Shore
Chairman
Sydney
17 August 2005

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Independent audit report to the members of Unwired Group Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of Unwired Group Limited (the Company) and the Unwired Group Limited (defined below) for the financial year ended 30 June 2005 included on Unwired Group Limited's web site. The Company's directors are responsible for the integrity of the Unwired Group Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion, the financial report on pages 17 to 45 and the remuneration disclosures on pages 6 to 14 of Unwired Group Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Unwired Group Limited and the Unwired Group Limited Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, AASB 1046 *Director and Executive Disclosures by Disclosing Entities* (AASB 1046) *and other* Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

Inherent uncertainty regarding recoverable amount of the Spectrum Licences and other non current assets

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the risk factors and uncertainties described in Note 1(h) to the financial report, there exist significant uncertainties about the recoverable amount of the Spectrum Licences and other non current assets.

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Unwired Group Limited and the Unwired Group Limited Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASB 1046, under the heading "remuneration report" on pages 6 to 14 of the directors' report, as permitted by the *Corporations Regulations 2001.*

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 1046 and the *Corporations Regulations 2001*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Andrew J Parker
Partner

Sydney
17 August 2005