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COMMANDER®

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29 February 2008

FY2008 HALF YEAR RESULTS AND BUSINESS UPDATE

Commander Communications Limited (ASX: CDR) today released its financial results for the half year ended 31 December 2007. The Company also announced it has made substantial progress with the implementation of its business Turnaround Plan.

The business reported a net loss of $245 million for the period, including $193 million in primarily non-cash impairment charges. No interim dividend will be declared.

The Directors are confident that the Turnaround Plan announced on 30 January 2008 is achievable and will address the issues that led to the Company's unsatisfactory performance in H1 FY2008.

Amanda Lacaze, Managing Director/CEO of Commander Communications, said:

"We have taken decisive action and are making strong progress with the implementation of the Turnaround Plan. We are confident that by reducing costs and focusing on profitable business segments, we will improve the quality of our revenue and deliver greater value to shareholders.

"I would like to take this opportunity to thank shareholders for their support and assure them that the new management team is very focused on delivering greatly improved performance in the second half."

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ASX Half-year information

31 December 2007

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2007 Annual Report.

Contents

Appendix 4D	2
Half-year report	3

Appendix 4D
31 December 2007
Commander Communications Limited

Results for announcement to the market

	Half Year Ended 31 December			
	FY2008 $000	FY2007 $000	Movement $000	Movement %
Revenue from ordinary activities	458,145	505,321	(47,176)	-9%
Net loss for the period attributable to members including impairment charges	(244,820)	(5,595)	(239,225)	-4,276%

Explanation of results

See Directors report and notes to the financial statements.

Dividends declared per ordinary share

	Half-year ended 31 December	
Dividends/distribution	**FY2008**	**FY2007**
Final dividend (paid)	Nil	4.0 cents
Special dividend paid with the final dividend (paid)	Nil	2.0 cents
Interim dividend (declared)	Nil	2.0 cents

No interim dividend was declared.

NTA backing

	31 Dec 07	31 Dec 06
Net tangible asset backing per ordinary share (cents)	(80)	(28)

Controlled entities acquired

There were no material controlled entities acquired in this reporting period.

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Half-year report
31 December 2007
Commander Communications Limited

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Contents

Director's report	4
Auditor's independence declaration	8
Consolidated income statement	9
Consolidated balance sheet	10
Consolidated statement of changes in equity	11
Consolidated cash flow statement	12
Notes to the financial statements	13
Directors' declaration	23
Independent review statement to the members	24

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Commander Communications Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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Commander Communications Limited and its controlled entities
ACN 094 233 539

Directors' report

Your directors present their report on the consolidated entity consisting of Commander Communications Limited ("Commander") and the entities it controlled at the end of, or during, the half-year ended 31 December 2007.

Directors

The directors of the company in office during the half-year and up to the date of this report were:

Elizabeth Nosworthy (Chairman)
Amanda Lacaze (Managing Director and CEO), appointed 10 December 2007
Shane Allan (Non-Executive Director), appointed 13 December 2007
Terry Winters (Non-Executive Director)

Adrian Coote (Managing Director), resigned 10 December 2007
Bill Scales (Non-Executive Director), resigned 4 January 2008
Neil Martin McDermott, (Non-Executive Director), resigned 7 January 2008

Review of operations

The challenges faced by Commander in the 6 months to 31 December have been well publicised. These have included an escalation in debt, business system failures and the trading halt on Commander securities in October 2007.

The combination of these factors created significant uncertainty with customers, suppliers and staff in addition to the uncertainty in equity markets. This has led to pressures in all areas of the business. Revenue was affected as retention and acquisition of customers became more difficult. Cash management was challenged as many suppliers significantly tightened trading terms and business effectiveness was reduced as staff concerns led to a lack of focused value creating activity.

On 30 January 2008, Commander's new management announced a Turnaround Plan. This Plan was created after a careful review of the current operating environment, performance and capability. In announcing the results contained in this 4D, the Board has reviewed progress against that Plan and undertaken a further extensive review of the carrying value of assets within the business. The Board has determined that at this time it is prudent to take a more conservative view regarding the carrying value of key assets.

The net loss recorded for this period is $245m including primarily non cash impairment charges of $193m. These impairment charges include but are not limited to:

- Goodwill, particularly related to the unprofitable data hardware business
- Receivables, particularly relating to aged debt
- Inventory, particularly relating to aged IT hardware

Other non cash items include depreciation and amortisation expenses of $24m.

On an operating basis, business performance has been unsatisfactory. The business generated a loss of $7m at EBITDA level, excluding current period non recurring items relating to the impairment charges referred to above and showed negative operating cash flow of $100m.

Whilst these outcomes were certainly exacerbated by uncertainty in the latter part of the year, the primary drivers of the underperformance lay in the execution of a business strategy which was primarily focused on top line growth. This translated to heavy utilisation of resources and funding in business segments where Commander was unable to add sufficient value to justify reasonable profit margins.

In particular, the Data Hardware business consumed significant cash. Product was sold at low gross margins and internal costs to serve were high, driven by the volume of transactional activity and the complexity of business relationships, including vendor relationships. Working capital levels were particularly high driven by the need to hold stock and an unacceptable level of aged and bad debt. Stated business intent was to leverage customer relationships based on hardware supply into ones encompassing the provision of higher value services thereby justifying the low margins achieved on the sale of hardware products. However, there was only limited success with this strategy.

In the high value services segment, Commander provides Managed, Professional and Technical services.

Performance in the Managed Services segment has been strong reflecting the quality of customer relationships and the high level of commitment of staff to deliver outstanding customer experiences.

Performance in the Professional and Technical services segments has been more variable. Profitability of this segment is driven by staff utilisation levels and pricing strategy. In the period, Commander invested heavily in staffing levels. Whilst many value adding projects were completed for customers, staff utilisation levels were inconsistent and varied from as low as 30% to some staff at 100%. Pricing was also highly variable and poorly controlled.

Commander continues to derive significant value from the Voice Hardware and Network segment. In this segment Commander serves customers from Small Business through to large Corporate customers. Corporate customers are served by a direct sales and service team. Increased focus on this segment has resulted in strong new sales growth.

In the period, Commander continued the roll out of the Franchise model to serve the needs of Small Business customers. Whilst market uncertainty has affected the ability of Franchisees to achieve optimum outcomes, the strategy of establishing a focused channel of small businesses serving the small business segment is sound. There has been a significant increase in Franchise system sales volume and margin on the corresponding prior period. In addition, the increasing value of the model to the Franchisees is evidenced in the expansion of more mature Franchisees into additional territories.

In the Voice Hardware and Network business, Commander has strong and productive partnerships with key vendors which, in conjunction with our own network, enables the delivery of effective customer solutions. However, new product introductions have been limited and increased focus in this area will support further growth.

In addition, the poor profit and cash flow outcomes were significantly affected by the growth in business overheads to an unsustainable level as staff struggled to deal with a complex and inefficient organisational structure.

During this period trade and other payables reduced from $219m to $94m. Whilst some of this can be attributed to the seasonality of the previous business model, it more directly reflects the tightening of trading terms by a number of key suppliers following the trading halt. Trade receivables, which moved from $190m to $127m, did not improve by a matching amount reflecting inefficient management of invoicing and collection processes.

In addition the cash flow has been directly affected by high financing and associated costs have been high, reflecting the high debt levels.

A Turnaround Plan was announced on 30 January 2008. This reflected the Board's assessment that incremental improvements were unlikely to deliver business success. The Turnaround Plan included a radical review of business strategy and structure and addressed each of the key elements contributing to the business underperformance.

1. New strategic focus
   Core to the Turnaround Plan is a refocus of business effort and resources in those areas that create value, specifically Services and Communication products. The plan includes the substantial exit from unprofitable business segments including low margin data hardware resale where it is undertaken on a stand alone basis.

2. Banking arrangements
   A key driver of market uncertainty related to concern about Commander's ability to repay bank debt according to the previous schedule. Renegotiation of this repayment schedule was a key element of the plan.

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3. Cost reduction and cash management
   The plan includes a significant reduction in headcount to reset the overhead cost base of the business. These reductions were most significant in the low value adding business segments. In addition, the plan included significant reductions in management and corporate overheads. Increased focus on cash management includes strategies to increase collection of outstanding and aged debt and closer management of procurement processes.

4. Asset sales
   Many diverse acquisitions have been made over time, several of which are not effectively integrated into the core business. The Turnaround Plan includes the sale of those assets which are non-core to the identified high value segments.

The key outcome from the Turnaround Plan is the creation of a smaller, focused, lower cost business.

On 30 January, the business implemented a new organisational structure focused on customer segments. Business units now have end to end accountability for all sales, service and collection activities within these segments.

Within these segments, Commander continues to provide a full suite of products and services to target customers, however, low margin products are only sold where they are part of a broader product offering. Commander has many valuable customer relationships where the business provides products and services across the full range of Communication and IT needs. Retaining these relationships by providing excellent service and acquiring new customers using the same service model will underpin improved performance,

In the Small Business market, a project to improve the commercial structure and support of Franchisees has been commenced and is expected to deliver accelerated growth.

In the short term, the highest priority is sustaining positive operating cash flow by improving operating efficiency and collection rates. January and February combined operating cash flow is expected to be positive reflecting increased management focus. This is a substantial improvement over the prior six months. In addition, core processes have been reviewed and projects to improve cash management, procurement processes, IT platforms and customer service have commenced.

A significant reduction in staff numbers has been achieved. Since the announcement of the turnaround plan on 30 January 2008 the employee headcount has been reduced from over 2,000 to approximately 1,450 employees.

The Directors have adopted the Turnaround Plan announced on 30 January 2008 with confidence that a turnaround is achievable. Substantial progress has been made on all key items within the plan. Concurrent with the announcement of the Plan, Commander announced the agreement of the banking syndicate to a revised repayment schedule that has significantly mitigated the concerns regarding Commander's ability to meet scheduled debt repayments.

The restructuring of the business including significant staff reductions was completed on 30 January 2008. New sales focus in key segments has already resulted in new and valuable business and the first asset sale, Unitel Australia was announced and completed in February.

The directors acknowledge there are risks associated with the plan, most particularly execution and timing risks. Having considered these risks (refer to page 14) the directors have determined that the accounts are to be prepared on a Going Concern basis.

This report has been prepared to complement the Turnaround Plan in creating a strong and robust view of the business and its assets. It is the Board's view that by taking the decisions on asset values and the actions included within the Turnaround Plan, the business is well placed to generate greater shareholder value in the future.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 8.

Rounding of amounts to nearest thousand dollars

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 and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

Amanda Lacaze
Managing Director and CEO
Sydney, 29 February 2008

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Auditor's Independence Declaration

As lead auditor for the review of Commander Communications Limited for the half year ended 31 December 2007, 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 review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Commander Communications Limited and the entities it controlled during the period.

RD Dring
Partner
PricewaterhouseCoopers

Sydney
29 February 2008

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Commander Communications Limited
Consolidated income statement
For the half-year ended 31 December 2007

	Note	Consolidated	
		6 mths 31 Dec 2007 $'000	**6 mths 31 Dec 2006 $'000**
Sale of goods		245,636	259,420
Services		205,918	239,072
Other revenues from continuing operations		6,591	6,829
Revenue from continuing operations		**458,145**	**505,321**
Other income		50	1,136
Cost of sales of goods	3(d)	(225,903)	(224,157)
Cost of providing services (non-labour)		(108,159)	(108,323)
Employee expenses		(125,614)	(121,097)
Rent and utility expenses		(7,353)	(6,945)
Depreciation and amortisation expenses		(23,948)	(18,783)
Financial asset impairment	3(c)	(34,567)	(2,710)
Goodwill impairment	3(c)	(129,119)	-
Other operating expenses	3(b)	(21,671)	(24,531)
Finance costs		(15,391)	(9,263)
Loss before income tax		**(233,530)**	**(9,352)**
Income tax expense/(benefit)	7	11,421	(3,912)
Loss from continuing operations		(244,951)	(5,440)
(Loss)/profit attributable to minority interest		(131)	155
Loss attributable to members of Commander Communications Limited		**(244,820)**	**(5,595)**

Earnings per share ("EPS") for loss attributable to the ordinary equity holders of the company:			
Basic EPS (cents per share)	12	**(107.01)**	**(2.49)**
Diluted EPS (cents per share)	12	**(107.01)**	**(2.49)**

The above consolidated income statement should be read in conjunction with the accompanying notes.

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Commander Communications Limited
Consolidated balance sheet
As at 31 December 2007

	Note	Consolidated	
		31 Dec 2007 $'000	30 Jun 2007 $'000
Current Assets			
Cash and cash equivalents		10,105	10,139
Trade and other receivables	4	127,445	190,263
Unbilled revenue		10,545	15,582
Lease receivables		1,666	961
Inventories	5	42,772	59,818
Derivative financial instruments		322	17
Current tax assets		28	3,264
Prepayments		10,297	13,253
Other assets		11,013	14,532
Total current assets		**214,193**	**307,829**
Non-Current Assets			
Trade and other receivables	4	10,698	23,272
Lease Receivables		4,500	3,371
Other financial assets		12,458	13,531
Derivative financial instruments		242	274
Property, plant and equipment		84,002	84,348
Deferred tax assets	7	-	11,297
Intangible assets	6	201,501	334,916
Other assets		4,968	6,774
Total non-current assets		**318,369**	**477,783**
Total assets		**532,562**	**785,612**
Current Liabilities			
Trade and other payables		93,490	218,954
Unearned income		28,225	35,774
Financial liabilities	8	361,279	239,913
Provisions		8,345	7,587
Derivative financial instruments		70	285
Other liabilities		1,774	1,669
Total current liabilities		**493,183**	**504,182**
Non-Current Liabilities			
Unearned income		7,224	7,859
Financial liabilities	8	771	836
Provisions		7,503	6,377
Other liabilities		3,193	4,803
Total non-current liabilities		**18,691**	**19,875**
Total Liabilities		**511,874**	**524,057**
NET ASSETS		**20,688**	**261,555**
Equity			
Contributed equity	10	227,217	227,217
Reserves		1,339	855
Accumulated (losses)/profits	11	(211,078)	33,742
Total parent entity interest		**17,478**	**261,814**
Minority interest		3,210	(259)
Total equity		**20,688**	**261,555**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Note	Consolidated 6 mths 31 Dec 2007 $'000	Consolidated 6 mths 31 Dec 2006 $'000
Total equity at the beginning of the half-year		**261,555**	**275,136**
Movement in Reserves			
Cash flow hedges, net of tax		487	(37)
Net expense/(income) recognised directly in equity		**487**	**(37)**
Loss for the half-year		**(244,951)**	**(5,440)**
Total recognised income and expense for the year		**(244,464)**	**(5,477)**
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity, net of transaction costs		-	5,895
Dividends provided for or paid		-	(13,389)
Minority interest equity contributions		3,600	-
Employee share options		(3)	112
		3,597	(7,382)
Total equity at the end of the half-year		**20,688**	**262,277**
Total recognised income and expense for the half-year is attributable to:			
Members of Commander Communications Limited		(244,333)	(5,632)
Minority Interest		(131)	155
		(244,464)	**(5,477)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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Commander Communications Limited
Consolidated cash flow statement
For the half-year ended 31 December 2007

		Consolidated	
	Note	6 mths 31 Dec 2007 $'000	6 mths 31 Dec 2006 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		543,896	597,337
Payments to suppliers and employees (inclusive of GST)		(634,079)	(635,686)
Interest received		844	1,150
Financing costs including interest and cost of finance paid		(13,597)	(8,870)
Income taxes refunded		2,630	6,524
Net cash outflow from operating activities		**(100,306)**	**(39,545)**
Cash flows from investing activities			
Payment for purchase of property, plant & equipment		(14,418)	(17,242)
Proceeds from sale of property, plant & equipment		419	358
Payment for investments		-	(314)
Payment for intangibles		(2,737)	(5,068)
Cash acquired on purchase of subsidiaries		90	-
Payment for contracts		-	(536)
Proceeds from/(investment in) customer receivables financing program		(1,684)	3,077
Net cash outflow from investing activities		**(18,330)**	**(19,725)**
Cash flows from financing activities			
Issue of shares/options exercised		-	5,653
Dividends paid		-	(13,389)
Proceeds from borrowings		125,000	38,000
Loans to other parties		(18)	(150)
Increase in capitalised financing costs		(1,221)	(120)
(Payment of)/proceeds from lease liabilities		(289)	538
Net cash inflow from financing activities		**123,472**	**30,532**
Net increase/(decrease) in cash held		4,836	(28,738)
Cash and cash equivalents at the beginning of the financial half year (net of overdraft)		5,269	19,627
Cash and cash equivalents at the end of the financial half year (net of overdraft)		**10,105**	**(9,111)**

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

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Note 1: Summary of significant accounting policies

Statement of compliance

This general purpose interim financial report for the half-year ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the most recent annual financial report of Commander Communications Limited ("the Group") for the year ended 30 June 2007 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going Concern

The interim financial report for the Consolidated Entity and Parent Entity has been prepared on a going concern basis.

In determining this basis for preparation of the interim financial report, the directors have reviewed the performance, plans and financial position of the Group. The review was undertaken as the Group incurred, during the half year ended 31 December 2007, a loss before tax of $234m; net cash outflows from operating activities of $100m; and the Group having a current asset deficiency of $279m and having obtained waivers of banking covenants for the period from December 2007 to March 2008.

Subsequent to the half-year ended 31 December 2007, the new senior management and directors of the company have initiated the following actions:

i) A formal Turnaround Plan has been developed and initiated in order to facilitate the Group's continuance as a going concern. The Turnaround Plan involves adding value to the Group through further focus on the profitable business segments; substantial exit from unprofitable business segments; sale of non-core assets; and Company wide cost reductions driven by increased business focus and more efficient business processes and practices. The progress of this Turnaround Plan in the subsequent period is expanded upon in Note 13: *Events occurring after reporting date.*

ii) The renegotiation of the Group's banking arrangements. The Group's banking syndicate has agreed to amend the facilities repayment schedule by rescheduling $115m from 31 October 2008 to 31 October 2009 when the current facilities expire. In addition, as part of the financing restructure, the banking syndicate has agreed to re-schedule $7m of the $10m repayment, which was due on 29 February 2008, to 31 October 2009. There is a schedule for reduction of the facility limits (excluding the guarantee and letter of credit component of the facilities) from $360m to $340m at 30 June 2008 and to $310m by June 2009. Net proceeds from the sale of non-core assets must be used to retire debt. The financial covenants have been replaced by a single covenant related to the Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") from 1 April 2008. Financial waivers of existing financial covenants were obtained for February and March 2008. The new arrangements require the Company to suspend all dividend payments and capital distributions until the debt facility reduces to $250m (excluding bank guarantees and letters of credit), unless otherwise agreed upon by the banking syndicate.

Note 1: Summary of significant accounting policies (continued)

Notwithstanding the subsequent changes to the Company's banking arrangements, in accordance with the requirements of AASB 101 *Presentation of Financial Statements*, the $350m owing to the Group's financiers has been classified as a current liability as the Company did not have an unconditional right to defer settlement of the loans for 12 months as at the half year ended 31 December 2007.

The ability of the Consolidated Entity to continue as a going concern and to meet its debts and commitments as and when they fall due is subject to significant uncertainty and is dependent upon:

i) the successful implementation of the restructuring initiatives including the achievement of forecast revenues and cost reductions, achieving forecast cash flows (including inflows from planned divestitures of non-core businesses), retention of key customers and maintenance of certain supplier relationships;

ii) meeting the requirements included in the new banking arrangements including, the achievement of EBITDA levels sufficient to meet the revised financial covenant, sale of non-core assets, reduction of debt in line with the reducing facility limits, and meeting ongoing reporting requirements.

The directors are confident that the Group will be successful in the above measures and therefore continue as a going concern for a period of 12 months from the date of the Directors' Report, and consequently will realise assets and settle liabilities and commitments in the ordinary course of business. If the above measures are not successful, the Consolidated Entity may not be able to continue as a going concern.

No adjustments have been made to the financial report relating to recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be reclassed if the entity does not continue as a going concern.

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Note 2: Segment note

Primary reporting: Business segments

The consolidated entity is organised in the following business segments:
- **Voice Hardware & Network** relates to the sale or rental of key telephone systems and PABX systems bundled with business phone line, broadband and mobile services for voice and data transmission.
- **Data Hardware** relates to the provision of data equipment (PCs, servers, notebooks).
- **Service** relates to managed services, professional services and technical services.

31 December 2007	VOICE HARDWARE & NETWORK $'000	DATA HARDWARE $'000	SERVICE $'000	TOTAL $'000
Sales to external customers	155,552	208,081	87,921	451,554
Other revenue	3,857	289	70	4,216
Interest revenue	-	-	-	2,425
Total segment revenue	159,409	208,370	87,991	458,195
Cost of sales (including field labour)[1]	(142,049)	(196,404)	(49,944)	(388,397)
Gross margin	17,360	11,966	38,047	69,798
Gross margin %	10.9%	5.7%	43.2%	15.2%
Bad debts and allowance for bad debts[2]	(19,184)	(5,202)	(7,424)	(31,810)
Employee expenses	(17,687)	(17,799)	(11,176)	(46,662)
Depreciation expense	(2,397)	(2,031)	(9,762)	(14,190)
Other expenses	(1,197)	(779)	(989)	(2,965)
	(23,105)	(13,845)	8,696	(25,829)
Goodwill and other impairment	(67,836)	(64,160)	(113)	(132,109)
Segment result	(90,941)	(78,005)	8,583	(157,938)
Financing costs				(15,391)
Amortisation expense				(9,759)
Shared services & overheads				(50,442)
Loss from ordinary activities before income tax expense				(233,530)
Income tax expense				(11,421)
Net loss				(244,951)

[1] Cost of sales includes inventory write downs to net realisable value. The following table illustrates the amounts. See Note 3.

[2] Bad debts includes additional amounts relating to the anticipated uncollectability of franchise fees previously taken to revenue, third party loans and reassessment of the collectability within the aging profiles of accounts receivable. The following table illustrates the amounts. See Note 4.

Write downs and abnormal allowances within the above table	VOICE HARDWARE & NETWORK $'000	DATA HARDWARE $'000	SERVICE $'000
Cost of sales – inventory write downs	7,414	9,698	-
Bad debt	17,540	4,588	7,393

Note 2: Segment Note (continued)

31 December 2006	VOICE HARDWARE & NETWORK $'000	DATA HARDWARE $'000	SERVICE $'000	TOTAL $'000
Sales to external customers	168,471	230,752	99,269	498,492
Other revenue	6,115	527	173	6,815
Interest revenue	-	-	-	1,150
Total segment revenue	174,586	231,279	99,442	506,457
Cost of sales (including field labour)	(131,400)	(206,432)	(53,035)	(390,867)
Gross margin	43,186	24,847	46,407	115,590
Gross margin %	24.7%	10.7%	46.7%	22.8%
Employee expenses	(17,810)	(15,657)	(10,253)	(43,720)
Depreciation expense	(1,971)	(2,008)	(9,066)	(13,045)
Other expenses	(4,250)	(1,497)	(1,171)	(6,918)
	19,155	5,685	25,917	51,907
Restructure and integration costs				(5,309)
Segment result	19,155	5,685	25,917	46,598
Financing costs				(9,263)
Amortisation expense				(5,738)
Shared services & overheads				(40,949)
Loss from ordinary activities before income tax benefit				(9,352)
Income tax benefit				3,912
Net loss				(5,440)

Note 3: Loss for the half-year

Loss for the half year ending 31 December 2007 has been arrived at after (charging) /crediting:

	Consolidated	
	6 mths 31 Dec 2007 $'000	6 mths 31 Dec 2006 $'000
a) Profit on disposal of plant and equipment	8	192
b) Other operating expenses		
Restructure costs	-	(5,309)
Advertising and promotional expenses	(3,859)	(3,613)
Motor vehicle expenses	(2,115)	(2,690)
Sub-contracted warehousing and logistics	(1,478)	(1,480)
Other expenses	(14,219)	(11,439)
	(21,671)	(24,531)
c) Impairment charges:		
i) Goodwill	(129,119)	-
ii) Other intangible assets	(3,896)	-
iii) Financial assets:		
-Trade receivables and bad debts	(13,328)	(2,710)
-Other receivables	(18,482)	-
-Investments	(2,757)	-
	(34,567)	(2,710)
iv) Other impairment losses	(3,624)	-

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Note 3: Loss for the half-year (continued)

	Consolidated	
	6 mths 31 Dec 2007 $'000	6 mths 31 Dec 2006 $'000
d) Inventory write down to net realisable value	(17,112)	-
e) Employee termination costs	(2,577)	-

Note 4: Trade and other receivables

	Consolidated	
	31 Dec 2007 $'000	30 June 2007 $'000
Current		
Trade receivables	135,499	184,642
Other receivables	10,157	9,917
Less: Allowance for doubtful trade and other receivables	(18,211)	(4,296)
Total Current receivables	127,445	190,263
Non-current		
Other receivables	24,879	23,272
Less: Allowance for doubtful other receivables	(14,181)	-
Total Non current receivables	10,698	23,272

Impairment in trade and other receivables
The Group has recognised a loss of $31,810k (2006: $2,710k) in respect of bad and doubtful debts during the half year ended 31 December 2007. The amount was determined in light of the current market conditions including the deterioration of the aging profiles for the Group.

Included within this loss are amounts relating to franchise fees receivable, receivables from wholesale customers, and loans to external entities.

Note 5: Inventory

	Consolidated	
	31 Dec 2007 $'000	30 June 2007 $'000
Finished Goods		
-at cost	29,121	43,721
-at net realisable value	10,362	13,699
	39,483	57,420
Work in progress at cost	3,289	2,398
Total inventories	42,772	59,818

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Note 5: Inventory (continued)

Impairment loss recognised on inventory

Following a reassessment of the net realisable value of inventory as at 31 December 2007 a provision for obsolescence in the amount of $17,112k has been charged to the income statement. This amount was determined in the light of current market conditions including the deterioration of the aging profiles for the Group and current management plan for realisation of inventory.

Note 6: Goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segments.

A segment level summary of the goodwill allocation is presented below:

	Consolidated	
	31 Dec 2007 $'000	**30 June 2007 $'000**
Opening book value: Data Hardware & Services	68,311	68,086
Additions	-	225
Current period impairment	(64,160)	-
	4,151	68,311
Managed Services	73,388	73,388
Opening book value: Network & Voice (Hardware and Services)	102,481	91,756
Additions	297	12,525
Disposals/adjustments	2,526	(1,800)
Current period impairment	(64,959)	-
	40,345	102,481
Goodwill net book value	117,884	244,180
Other intangibles	83,617	90,736
Total intangibles	201,501	334,916

Impairment for Goodwill
During the half year ended 31 December 2007, the Directors decided that in view of the Group's current performance, there was an indication of impairment to the goodwill. Thus an impairment test was performed for each of the Group's identified CGU's.

The recoverable amount of each CGU is determined based on value-in-use calculations derived from cash flow projections. Cash flows beyond the five year-period are extrapolated using the estimated growth rates stated below. The results of the impairment review are summarised below:

i) Data Hardware & Services
The recoverable amount of the non-current assets including goodwill of the Data Hardware & Services CGU is estimated to be $14,595k. The carrying amount of the CGU's non-current assets including goodwill at 30 June 2007 exceeds the recoverable amount by $64,160k. This excess portion has been written off as impairment to goodwill in the income statement.

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Note 6: Goodwill (continued)

ii) Managed Services
The recoverable amount of the non-current assets including goodwill of the Managed Services CGU is estimated to be $141,962k. This exceeds the carrying amount of the CGU's non-current assets including goodwill at 30 June 2007 by $17,969k.
iii) Network & Voice
The recoverable amount of the non-current assets including goodwill of the Network & Voice CGU is estimated to be $146,617k. The carrying amount of the CGU's non-current assets including goodwill at 30 June 2007 exceeds the recoverable amount by $64,959k. This excess portion has been written off as an impairment to goodwill in the income statement.

Key assumptions used for value in use calculations
Projections used in the value-in-use model reflect the segments' historical performance and management expectations of current trends within each market segment for the period under review.

	Growth Rates (2009 to 2012)			Terminal	Discount
Key Assumptions: 31 December 2007	**Sales**	**COS**	**SG&A**	**Growth rate[1]**	**rate (post tax)[2]**
CGUs	%	%	%	%	%
Data Hardware & Services	2.0	2.0	1.0 to 2.0	2.0	13.0
Managed Services	6.0 to 8.0	6.0 to 7.0	4.0 to 7.0	4.0	13.0
Network & Voice (Hardware & Services)	8.0	6.0 to 8.0	0.0 to 6.0	5.0	13.0

	Growth Rates (2008 to 2012)			Terminal	Discount
Key Assumptions: 31 June 2007	**Sales**	**COS**	**SG&A**	**Growth rate[1]**	**rate (post tax)[2]**
CGUs	%	%	%	%	%
Data Hardware & Services	5.0	5.0	3.0	2.5	13.0
Managed Services	5.0	5.0	3.0	2.5	13.0
Network & Voice (Hardware & Services)	5.0	5.0	3.0	2.5	13.0

[1] Weighted average growth rate used to extrapolate cash flows beyond the budget period.
[2] In performing the value-in-use calculations for each CGU, the company has applied post-tax discount rates to discount the forecast future attributable post tax cash flows.

Note 7: Recognition of tax losses

In accordance with AASB 112 *Income Taxes*, where there is a history of recent losses, a deferred tax asset arising from unused tax losses must only be recognised to the extent that the entity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the entity.

The directors have reassessed the recognition of the Group's deferred tax asset for unused tax losses in light of the continued operating losses experienced by the Group since 30 June 2007. As such the deferred tax asset arising from unused tax losses has only been recognised to the extent that the entity has sufficient taxable temporary differences.

This has resulted in a reversal in the recognised deferred tax asset balance of $11,297k to the income statement as at 31 December 2007.

Therefore the unrecognised tax losses as at 31 December 2007 are $54,844k.

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Note 7: Recognition of tax losses (continued)

The benefit of these tax losses will only be obtained if:

- 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
- the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Note 8: Financial Liabilities

	Consolidated	
	31 Dec 2007 $'000	**30 June 2007 $'000**
Current		
Debt facility utilised	350,000	225,000
Bank overdraft	-	4,870
Convertible note	7,600	7,600
Lease Liability	268	488
Deferred consideration	1,955	-
Other financial liabilities	1,456	1,955
	361,279	239,913
Current		
Lease Liability	771	836
	362,050	240,749

Debt Facility

As at 31 December 2007 the Group had debt facilities to the value of $385m (30 June 2007: $340m). The facilities were drawn down to $372.7m as at 31 December 2007 and the unused debt facilities as at 31 December 2007 were $12.3m (30 June 2007: $92.6m)

Included in the Group's financial liabilities is the debt facility amount utilised as at 31 December 2007 of $350m (30 June 2007: $225m). The Group also has utilised bank guarantees amounting to $22.7m. In accordance with the requirements of AASB 101 *Presentation of Financial Statements* the $350m owing to the Group's financiers has been classified as a current liability as the company did not have an unconditional right to defer settlement of the loans for 12 months as at the half year ended 31 December 2007.

The interest on the facility is calculated with reference to market benchmark interest rates. Usage of the facility is fully revolving. The facility is secured by a first ranking fixed and floating charge over the assets of the consolidated entity, and a second ranking fixed and floating charge over the assets of Commander Rentals Pty Limited. Subsequent to half year ended 31 December 2007, the consolidated entity renegotiated its facilities with its financiers. Refer Note 13: *Events occurring after reporting date* for details. This facility expires on 31 October 2009.

The consolidated entity has entered into interest rate hedging for $90m (30 June 2007: $90m), which has an average fixed rate of 6.54% and average remaining term of 0.7 years. The balance of the debt is subject to market floating rates.

Note 9: Customer receivables financing program

The Group has entered into a customer receivables financing program agreement. Under the agreement, the Group offers to sell future cash proceeds it receives under eligible rental agreements. Receivables from eligible rental agreements are de-recognised following the sale of future cash proceeds.

In December 2007 further sales to this program were ceased.

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Note 10: Contributed equity

At 31 December 2007 there were 228,771,643 fully paid ordinary shares on issue with a value of $227,217k. There has been no movement in ordinary share capital since 30 June 2007.

There are 3,800,000 convertible notes on issue with a face value of $2.00 each at 31 December 2007 (2006: nil). These notes were issued on 8 June 2007 as part consideration for the acquisition of all the issued shares in Nexon Asia Pacific Pty Ltd. No notes were converted in the half year ending 31 December 2007.

There were 1,467,500 options on issue at 31 December 2007 (30 June 2007: 1,557,500). No options were exercised in the half year ending 31 December 2007. Furthermore no new options were issued during the period.

Subsequent to half year end, 840,000 options lapsed on the departure of various senior management.

Note 11: Accumulated losses

	31 Dec 07	**30 Jun 07**
	$'000	**$'000**
Accumulated profits at the beginning of the period	33,742	57,011
Net loss attributable to members of Commander Communications Limited	(244,820)	(5,348)
Dividends paid	-	(17,921)
Accumulated losses at the end of the period	**(211,078)**	**33,742**

Note 12: Earnings and dividends per share

	31 Dec 07	**31 Dec 06**
Dividends per share (cents)	-	2.00
Basic earnings per share (cents)	(107.01)	(2.49)
Diluted earnings per share (cents)	(107.01)	(2.49)

Earnings used to calculate basic EPS ('000)	($244,820)	($5,595)
Earnings used to calculate diluted EPS ('000)	($244,820)	($5,595)
Weighted average shares used to calculate basic EPS	228,771,643	224,695,826
Weighted average shares used to calculate dilutive EPS	228,771,643	224,695,826

Note 13: Events occurring after reporting date

On 30 January 2008 the Group released a market update outlining management's formal Turnaround Plan for the Group. The principal aim of this plan is to restore operating performance to a level that supports increased shareholder value.

Turnaround Plan

In the preparation and development of this Turnaround Plan the Group's new management team reviewed all aspects of the business. Targeted strategies and actions were developed to address those areas where the business was underperforming. The plan includes a significant reduction in overhead costs.

Importantly it also includes strategies which will create platforms and capabilities to support improved performance in value added segments and future growth.

The key elements of the Turnaround Plan include the following:

- Increased focus on and resource allocation to value creating, profitable business segments;
- Substantial exit from unprofitable business segments;
- Sale of non-core assets;
- Company wide cost reductions driven by increased business focus and more efficient business processes and practices.

During the subsequent period the Group's management has commenced implementation of the Turnaround Plan.

Renegotiation of bank facilities

The Group's banking syndicate has agreed to amend the facility repayment schedule by rescheduling $115m from 31 October 2008 facility to 31 October 2009. In addition, as part of the financing restructure, the banking syndicate has agreed to reschedule $7m of the $10m repayment due to on 28 February 2008 to 31 October 2009. As a result of the reschedule of the $7m repayment, the business has been able to fund all termination payments within the current facility.

The rescheduling of the repayments has been undertaken to allow the business to implement the Turnaround Plan. Whilst early action is essential, particularly relating to costs, the full effect of the plan is dependent on achieving improved sales rates and process improvements which have a longer lead time to completion.

Loan covenants have been replaced by a single covenant related to EBITDA from 1 April 2008.

As part of the restructured agreement, the company is required to suspend all dividend payments and capital distributions until the debt facility reduces to $250m (excluding bank guarantees and letters of credit), unless otherwise agreed upon by the banking syndicate.

The proceeds from the sale of non-core assets will be applied to prepay the bank facilities, and will be available for redraw within the facility limits. In addition, the company will actively apply all cash flow excess to working capital requirements to debt reduction to minimise financing costs.

Identification and disposal of non-core businesses

On the 22 February 2008 the Group successfully completed the sale of its wholesale network services subsidiary, Unitel Australia Pty Limited ("Unitel") via a share sale agreement with M2 Telecommunications Group Limited (ASX: MTU).

The consideration for the sale of Unitel consisted of a minimum consideration amount of $10m, with a further $2.5m performance based consideration payable over 36 months, subject to the achievement of agreed revenue milestones over that period.

The agreement sees the Group continuing to supply Unitel's wholesale network for a period of up to three years.

In addition, the Group announced the sale of its WA operations to Empired Ltd for a consideration of $30,000.

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Directors' declaration

In the directors' opinion:

a) the financial statements and notes set out on pages 9 to 22 are in accordance with the *Corporations Act 2001*, including

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

b) there are reasonable grounds to believe that Commander Communications Limited will be able to pay its debts as and when they become due and payable.

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

Amanda Lacaze
Managing Director and CEO

Sydney, 29 February 2008

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INDEPENDENT AUDITOR'S REVIEW REPORT

to the members of Commander Communications Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Commander Communications Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Commander Communications Limited Group (the consolidated entity). The consolidated entity comprises both Commander Communications Limited (the company) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Commander Communications Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website http://www.pwc.com/au/financialstatementaudit

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

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Commander Communications Limited (the company), for the half-year ended 31 December 2007 included on Commander Communications Limited's web site. The company's directors are responsible for the integrity of the Commander Communications Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified above. 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 reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Commander Communications Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001.*

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to note 1 in the financial report which indicates that the consolidated entity incurred a net loss before income tax of $233,530,000 and net cash outflows from operating activities of $100,306,000 for the period ended 31 December 2007. These conditions, along with other matters set forth in note 1 indicate the existence of significant uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

PricewaterhouseCoopers

RD Dring
Partner

Sydney
29 February 2008