2009 ANNUAL REPORT

SP Telemedia Limited ABN 46 093 058 069

TPG

SP Telemedia Limited
and its controlled entities
ABN 46 093 058 069

Annual Report
31 July 2009

SP Telemedia Limited and its controlled entities
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For the year ended 31 July 2009

SP Telemedia Limited and its controlled entities
Directors' report
For the year ended 31 July 2009

The directors present their report together with the financial report of SP Telemedia Limited ('the Company') and of the Consolidated Entity, being the Company and its controlled entities, for the financial year ended 31 July 2009 and the auditor's report thereon.

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SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2009

1. Directors

Details of the directors of the Company who held office at any time during or since the end of the financial year are as follows:

Name, qualifications and independence status	*Age*	*Experience, special responsibilities and other directorships*
Current Directors		
David Teoh Chairman Executive Director Chief Executive Officer	54	David was the founder and Managing Director of the TPG group of companies, one of the largest privately owned internet businesses in Australia. SP Telemedia Ltd (2008-current).
Robert D Millner Non-Executive Director F.A.I.C.D.	58	SP Telemedia Ltd (2000-current), Washington H Soul Pattinson and Company Ltd (1984-current), New Hope Corporation Ltd (1995-current), Souls Private Equity Ltd (2004-current), Brickworks Ltd (1997-current), Brickworks Investment Company Ltd (2003-current), Australian Pharmaceutical Industries Ltd (2000-current), Milton Corporation Ltd (1998-current), Choiseul Investments Ltd (1995-current). Former Chairman, resigned position in 2008. Member of Audit & Risk Committee.
Denis Ledbury Independent Non-Executive Director B.Bus. A.I.C.D.	59	Denis was the Managing Director of SP Telemedia between 2000 and 2005, and was associated with the NBN group of companies for over 24 years (the last 14 as Chief Executive Officer). SP Telemedia Ltd (2000-current), Soul Communications Pty Ltd (2005-2008). Chairman of Audit & Risk, and Remuneration Committees.
Alan J Latimer Executive Director B.Com CA G.A.I.C.D	55	Prior to becoming an Executive Director of SP Telemedia Alan was the Chief Financial Officer of the TPG group of companies. He has also previously worked with a number of large international IT and financial companies. SP Telemedia Ltd (2008-current), Chariot Ltd (2007-2008). Member of Remuneration Committee.
Joseph Pang Independent Non-Executive Director FCA	56	Joseph has worked in financial roles in the UK, Canada and Hong Kong prior to starting his own Management and Financial Consulting Service in Australia. SP Telemedia Ltd (2008-current). Member of Audit & Risk, and Remuneration Committees.

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2. Company secretary

Mr Stephen Banfield was appointed Company Secretary on 24 October 2007. Mr Banfield holds a BA(Hons) degree and is a member of the Institute of Chartered Accountants in England and Wales.

3. Directors' meetings

The number of directors' meetings held during the financial year (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company were as follows:

Director	Board Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
D Teoh	12	12	-	-	-	-
RD Millner	10	12	3	3	-	-
D Ledbury	11	12	3	3	2	2
AJ Latimer	12	12	-	-	2	2
J Pang	11	12	3	3	2	2

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

4. Subsidiary name change

During the financial year the subsidiary company formerly known as Chariot Limited changed its name to Chariot Pty Ltd.

5. Corporate governance statement

The Board of SP Telemedia Limited ('the Company') determines the most appropriate corporate governance arrangements having regard to the best interests of the Company, its shareholders and consistent with its responsibilities to other stakeholders.

This statement outlines the Company's main corporate governance practices, which comply with the Australian Securities Exchange ("ASX") Corporate Governance Principles and Recommendations ("ASX Recommendations"), unless otherwise stated.

Principle 1 Lay solid foundations for management and oversight

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfill this role the Board is responsible for the overall corporate governance of the Consolidated Entity including formulating its strategic direction, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals, ensuring the integrity of risk management, internal control, legal compliance and management information systems, and approving and monitoring capital expenditure.

The Board delegates to senior management responsibility for the implementation of the strategic direction of the Company.

During the year the Board adopted a Board Charter which defines the functions reserved for the Board as is required by ASX Recommendation 1.1. This Board Charter can be found on the Company's website at www.soulaustralia.com.au/aboutus.

The performance of the executive directors is reviewed by the non-executive directors on the Board. The performance of other senior executives is reviewed by the Chief Executive Officer (ASX Recommendations 1.2 and 1.3).

Principle 2 Structure the Board to add value

The Board considers that the number of directors and the composition of the Board are important for the success of the Company.

The Board considers that the appropriate number of directors in the current circumstances is five, with three being non-executive directors including two independent.

Details of the experience and background of all directors are also set out in full on page 4 of this Annual Report.

5. Corporate governance statement (continued)

Principle 2 Structure the Board to add value (continued)

Independence of directors
The Board believes that maximum value for shareholders is best served with the current Board composition. The Board currently comprises five directors, two of whom are independent.

The executive directors are David Teoh and Alan Latimer. The Board is of the view that the benefit of the depth of experience and understanding that both directors have of the industry in which the Company operates, outweighs the requirement for independent non-executive directors.

Robert Millner, a non-executive director, is not independent as he is a director of a major shareholder, Washington H Soul Pattinson and Company Limited. Robert has specific historical, financial and business knowledge of the Company, the benefit of which in the opinion of the Board, outweighs the requirement for independence at this time.

The Board is of the view that another non-executive director, Denis Ledbury, is independent, even though he was Managing Director of the Company until his retirement on 1 August 2005, due to the changes in the operations and senior management of the Company that have occurred since his retirement. These changes mean that Denis is free from interests and influences that could present a potential conflict of interest.

The Board believes that each director brings an independent mind and judgement to bear on all Board decisions, notwithstanding that the Chairman and a majority of the Board are not independent (which is not in line with ASX Recommendation 2.1). All directors are able to and do review and challenge the assumptions and performance of management to ensure decisions taken are in the best interest of the Company.

Chairman of the Board
The Chairman is an executive director and is acting as the Chief Executive Officer of the Company. Nevertheless, the Board believes that David Teoh, in this dual role, does bring the quality and independent judgement to all relevant issues that are required of the Chairman and, as Chief Executive Officer, he consults the Board on matters that are sensitive, extraordinary or of a strategic nature.

Nominations Committee
The Board acts as a Nominations Committee and as such has responsibility for the selection and appointment of directors, undertaking evaluation of the Board's performance and developing and implementing a plan for identifying, assessing and enhancing directors' competencies (ASX Recommendation 2.4).

The process for evaluating the performance of the Board, its committees and individual directors involves the Chairman conducting individual interviews with each of the directors at which time they are able to make any comment or raise issues they have in relation to the Board's operations (ASX Recommendation 2.5).

Access to Company information and independent professional advice
Directors may request additional information as and when they consider it appropriate or necessary to discharge their obligation as a director of the Company. This includes access to internal senior executives or external advisors as and when appropriate. A director must consult the Chairman first before accessing external independent advice and provide a copy of the advice received to other members of the Board (ASX Recommendation 2.6).

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2009

5. Corporate governance statement (continued)

Principle 3 Promote ethical and responsible decision-making

The Company is committed to maintaining the highest standards in dealing with all of its stakeholders, both internally and externally. The Company has adopted a written Code of Conduct to assist directors and staff in understanding their responsibilities to ensure the Company conducts its business in accordance with all applicable laws and regulations and in a way that enhances the Company's reputation (ASX Recommendation 3.1 and 3.3). The Code of Conduct is also reflected in internal policies and procedures which reinforce the Company's commitment to complying with all applicable laws and regulations.

A copy of the Code of Conduct can be found on the Company's website at www.soulaustralia.com.au/aboutus (ASX Recommendation 3.3).

Policy regarding trading in securities

The Company has established a written Securities Trading Policy which identifies the principles by which the Company balances the investment interests of directors, senior executives and employees with the requirements for ensuring such trades only take place when all information relevant to making such investment decisions is fully disclosed to the market (ASX Recommendation 3.2).

Directors and senior executives are only permitted to deal in Company shares during a six week period following the release of the Company's half-year and annual results to the ASX, the annual general meeting or any major announcement. Notwithstanding this, the Board may in certain circumstances permit dealings during other periods.

The acquisition of shares or options acquired pursuant to an employee share or option plan and the acquisition of securities through exercising rights to securities or through conversion of convertible securities is specifically excluded from this policy. This exclusion applies only to the acquisition, exercise or conversion of securities. Subsequent dealing in the underlying securities is restricted as outlined in the policy.

Directors must notify the Company Secretary in writing of all transactions in accordance with the requirements of Sections 205F and 205G of the Corporations Act 2002. The Company will notify the ASX of the details of any transaction, on behalf of the directors.

A copy of the Securities Trading Policy can be found on the Company's website at www.soulaustralia.com.au/aboutus (ASX Recommendation 3.3).

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2009

5. Corporate governance statement (continued)

Principle 4 Safeguarding integrity in financial reporting

The Board has responsibility for ensuring the integrity of the financial statements and related notes and that the financial statements provide a true and fair view of the Company's financial position. To assist the Board in fulfilling this responsibility, the Board has established an Audit & Risk Committee which has the responsibility for providing assurance that the financial statements and related notes are complete, are in accordance with the applicable accounting standards, and provide a true and fair view.

Audit & Risk Committee

The Audit & Risk Committee is comprised of three non-executive directors, two of whom are independent, and is chaired by Mr Denis Ledbury. Details of all members of the Audit & Risk Committee during the year and their qualifications are set out on page 4 of this Annual Report (ASX Recommendation 4.1, 4.2 & 4.4).

The Board has adopted a formal charter which details the function and responsibility of the Audit & Risk Committee to ensure the integrity of the financial statements and independence of the external auditor (ASX Recommendation 4.3). A copy of the charter can be found on the Company's website at www.soulaustralia.com.au/aboutus.

The Audit & Risk Committee's responsibilities include ensuring the integrity of the financial reporting process, the risk management system, internal reporting and controls, management of strategic and major financial and operational risks and the external audit process, based on sound principles of accountability, transparency and responsibility.

The external auditors, other directors, the Chief Executive Officer and the Chief Financial Officer are invited to Audit & Risk Committee meetings at the discretion of the Committee. The Committee meets at least twice a year. It met three times during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 5 of this Annual Report (ASX Recommendation 4.4).

Auditor selection and appointment

The Audit & Risk Committee will annually review the audit process including assessment of auditor independence. Any non-audit work requires the prior approval of the Committee, which approval will only be given where it can be established that it will not compromise the independence of the audit.

5. Corporate governance statement (continued)

Principle 5 Make timely and balanced disclosure

Continuous disclosure

The Company believes that shareholders and the wider business community should be informed of all material information concerning the Company in a timely and accurate manner.

Accordingly, the Company has established a Continuous Disclosure Policy to ensure that the share market is properly informed of matters that may have a material impact on the price at which the Company's securities are traded. This policy is designed to ensure compliance with the ASX Listing Rules Chapter 3 (ASX Recommendation 5.1 and 5.2).

A copy of the Continuous Disclosure Policy can be found on the Company's website at www.soulaustralia.com.au/aboutus.

Principle 6 Respect the rights of shareholders

The Board aims to ensure that shareholders are informed of all major developments affecting the Company.

The Company posts its annual report and major announcements on its website under the investor section (www.soulaustralia.com.au/investors) and provides a link via the website to the ASX website so that all ASX releases can be accessed (ASX Recommendation 6.1.).

Historical information is also available to shareholders on the Company's website including prior years' Annual Reports.

Shareholders are encouraged to participate at general meetings, either in person or by proxy, and are specifically offered the opportunity of receiving communications via email (ASX Recommendation 6.1 and 6.2).

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Directors' report (continued)
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5. Corporate governance statement (continued)

Principle 7 Recognise and manage risk

The Company has in place strategies and controls in relation to management of financial risk which include identifying and measuring financial risk, developing strategies to minimise the identified risks and monitoring implementation.

The Chief Executive Officer and the Chief Financial Officer are required to provide assurance to the Board as to the contents of the annual financial statements including compliance with accounting standards, that they are founded on a sound system of financial risk management, and that the accounts represent a true and fair view of the Company's financial position (ASX Recommendation 7.3).

The Company has established a business risk framework based on AS/NZS 4360:2004 to ensure management, control and oversight of the major business risks of the Company. The framework takes into account various risks including operational, financial, compliance, technical, and strategic risks and provides a means of evaluation and reporting on the management of risk. As part of this process a risk management committee has been established to ensure oversight of the Company's business risk and to report to the Audit & Risk Committee on the effectiveness of the risk management controls (ASX Recommendation 7.1, 7.2 & 7.4).

Principle 8 Remunerate fairly and responsibly

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to executives and directors.

The Remuneration Committee comprises three directors, two of whom are independent non-executive directors. The Committee meets at least twice a year and as required. It met twice during the year and Committee members' attendance record is disclosed in the table of directors' meetings on page 5 of this Annual Report.

Non-executive directors' fees may not exceed $500,000 per annum, as voted upon by shareholders at the 2004 AGM. In addition, non-executive directors will not be entitled to a retirement benefit, nor are any directors entitled to participate in share or option plans except with the approval of shareholders.

For further information, refer to the Remuneration Report included at page 12 in the Directors' Report (ASX Recommendation 8.2 & 8.3).

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2009

5.1 Remuneration report – audited
5.1.1 Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Consolidated Entity, including those of directors of the Company and other executives. Key management personnel comprise the directors of the Company and executives for the Company and the Consolidated Entity including the five most highly remunerated Company and Consolidated Entity executives.

Compensation levels for key management personnel of the Consolidated Entity are designed to attract and retain appropriately qualified and experienced directors and executives. The Remuneration Committee considers the appropriateness of compensation packages given trends in comparative companies and the objectives of the Consolidated Entity's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel
- the key management personnel's ability to affect the Consolidated Entity's performance
- the Consolidated Entity's performance
- the amount of incentives within each key management person's compensation.

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives.

In addition to their salaries, the Consolidated Entity may also provide non-cash benefits to its key management personnel.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Remuneration Committee through a process that considers individual performance and overall performance of the Consolidated Entity.

Performance-linked compensation

a) Former incentive plans

The Company suspended the operation of former performance-linked compensation plans following the acquisition of TPG. These former performance-linked compensation plans included both short-term and long-term incentives and were designed to reward the key management personnel for meeting or exceeding the financial and personal objectives set by the Company. The long-term component of these incentives comprised shares that were allocated to the employee and vested at 20% per annum at the end of each of the five years following allocation, provided they continued to be employed by the Consolidated Entity. As such, at 31 July 2009 certain key management personnel still had unvested shares under the former plans, as set out below in 5.1.3.1. This aside, the performance-related compensation plans that pre-dated the TPG acquisition in April 2008 have completely ceased to operate.

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2009

5.1 Remuneration report – audited (continued)
5.1.1 Principles of compensation (continued)

Performance-linked compensation (continued)

b) New incentive plans

(i) Long-term

On 27 February 2009, the Company announced a pool of 13.5 million share options with an exercise price of $0.18 per share, based on the 60 day Volume Weighted Average Share Price ("VWAP") at that date of $0.16 per share.

On 7 July 2009, the Board approved the terms of a new Employee Share Option Plan under which these options would be granted to employees.

On 8 July 2009, 10.875 million of these share options were granted to employees (including certain key management personnel). The allocation of the options was approved by the Remuneration Committee.

All options granted on that date were immediately exercisable with a latest exercise date of 30 June 2010.

(ii) Short-term

Certain short-term cash bonuses were also paid during the year, including to certain key management personnel, to award individual performance. These awards were made at the discretion of the Executive Chairman.

Other benefits

Key management personnel can also receive non-cash benefits as part of the terms and conditions of their appointment. Non-cash benefits typically include motor vehicles, and the Company pays fringe benefits tax on these benefits.

Service contracts

On 28 May 2008, the Consolidated Entity entered into a service contract with Mr D Teoh. The contract was for an initial term which expired on 31 July 2009, after which the contract may be terminated by either party giving 3 months notice.

Other than as noted above:
- no key management personnel employment contract has a fixed term; and
- no key management personnel employment contract has a notice period of greater than 1 month.

No key management personnel employment contract contains any provision for termination benefits other than as required by law.

Non-executive directors

Total compensation for all non-executive directors, last voted upon by shareholders at the 2004 AGM, is not to exceed $500,000 per annum. Non-executive directors do not receive performance related compensation. Directors' fees cover all main board activities and membership of committees.

5.1 Remuneration report – audited (continued)

5.1.2 Directors' and executive officers' remuneration (Company and Consolidated)

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the five named Company executives and relevant Consolidated Entity executives who receive the highest remuneration and other key management personnel are set out in the table below:

		Short-term				Post-employment			Share-based payments				
Directors		Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $	Total $	Superannuation benefits $	Other long term $	Termination benefits $	Options $(B)	Shares $(B)	Total $	S300A (1)(e)(i) Proportion of remuneration performance related %	S300A (1)(e)(vi) Value of options as proportion of remuneration %
Executive Directors													
Mr D Teoh, Chairman	2009	250,000	-	26,157	276,157	100,311	4,900	-	-	-	381,368	-	-
(appointed 7 April 2008)	2008	76,923	-	-	76,923	29,525	-	-	-	-	106,448	-	-
Mr AJ Latimer	2009	191,891	50,000	6,262	248,153	21,770	7,592	-	-	-	277,515	18%	-
(appointed 7 April 2008)	2008	64,614	-	-	64,614	5,816	-	-	-	-	70,430	-	-
Non-executive Directors													
Mr D Ledbury	2009	52,500	-	-	52,500	4,725	-	-	-	-	57,225	-	-
	2008	46,250	-	3,765	50,015	4,050	-	-	-	-	54,065	-	-
Mr RD Millner (1)	2009	50,000	-	-	50,000	4,500	-	-	-	-	54,500	-	-
	2008	65,000	-	-	65,000	5,850	-	-	-	-	70,850	-	-
Mr J Pang	2009	50,000	-	-	50,000	4,500	-	-	-	-	54,500	-	-
(appointed 7 April 2008)	2008	13,125	-	-	13,125	1,181	-	-	-	-	14,306	-	-

(1) RD Millner was formerly Chairman and retired from this position effective 7 April 2008.

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2009

5.1 Remuneration report – audited (continued)

5.1.2 Directors' and executive officers' remuneration (Company and Consolidated) (continued)

Executives		Short-term				Post-employment			Share-based payments				
		Salary & fees $	STI cash bonus $(A)	Non-monetary benefits $	Total $	Superannuation benefits $	Other long term $	Termination benefits $	Options $(B)	Shares $(C)	Total $	S300A (1)(e)(i) Proportion of remuneration performance related %	S300A (1)(e)(vi) Value of options as proportion of remuneration %
Mr W Piestrzynski (appointed 7	2009	241,081	20,000	6,614	267,695	23,498	4,298	-	204,840	-	500,331	45%	41%
April 2008)	2008	77,858	-	-	77,858	7,007	-	-	-	-	84,865	-	-
Ms M De Ville	2009	211,009	-	2,434	213,443	18,991	3,515	-	20,484	2,707	259,140	9%	8%
	2008	211,009	7,500	-	218,509	19,666	-	-	-	1,124	239,299	4%	-
Mr S Banfield	2009	165,000	-	3,791	168,791	14,850	2,748	-	102,420	8,472	297,281	37%	34%
	2008	165,000	32,500	-	197,500	17,775	-	-	-	1,837	217,112	16%	-
Mr C Levy (recognised in key	2009	165,000	30,000	4,125	199,125	17,550	2,748	-	102,420	7,666	329,509	43%	31%
mgmt personnel from 1 August 2008)	2008	-	-	-	-	-	-	-	-	-	-	-	-
Mr J Paine (recognised in key	2009	154,577	30,000	1,225	185,802	16,603	2,645	-	143,388	-	348,438	50%	41%
mgmt personnel from 1 August 2008)	2008	-	-	-	-	-	-	-	-	-	-	-	-
Mr S McCullough (appointed 26	2009	140,770	77,932	10,748	229,450	19,682	2,328	-	30,726	-	282,186	39%	11%
August 2008)	2008	-	-	-	-	-	-	-	-	-	-	-	-

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Directors' report (continued)
For the year ended 31 July 2009

5.1 Remuneration report – audited (continued)
5.1.2 Directors' and executive officers' remuneration (continued)

Notes in relation to the table of directors' and executive officers remuneration

A. The short-term incentive bonuses paid in the 2009 financial year were for performance during the 31 July 2009 financial year and were awarded at the discretion of the Executive Chairman, other than for Mr S McCullough whose short-term incentive bonus represents sales commission.

The short-term incentive bonuses paid in the 2008 financial year were for performance during the 31 July 2007 financial year, and were awarded under the former incentive plans that ceased to operate following the acquisition of TPG in April 2008.

B. Certain executives received share options as part of their remuneration under the Employee Share Option Plan approved by the Board on 7 July 2009. The fair value of the options was calculated using a Black Scholes model. The resulting expense has all been recognised in the financial results for the year ended 31 July 2009.

C. Certain executives received shares as part of their remuneration under the former incentive plans that ceased to operate following the acquisition of TPG in April 2008. The fair value of the shares was the market value of the shares purchased under the scheme for the executive. The fair value is allocated to each reporting period evenly over the period from grant date to vesting date subject to certain events which trigger vesting.

5.1.3 Equity instruments
5.1.3.1 Shares, options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on options that vested during the reporting period are as follows:

	Number of options granted during 2009	Grant date	Fair value per option at grant date ($)	Exercise price per option ($)	Expiry date	Number of options vested during 2009
Mr V Piestrzynski	1,000,000	8 July 2009	$0.20484	$0.18	30 June 2010	1,000,000
Mr J Paine	700,000	8 July 2009	$0.20484	$0.18	30 June 2010	700,000
Mr C Levy	500,000	8 July 2009	$0.20484	$0.18	30 June 2010	500,000
Mr S Banfield	500,000	8 July 2009	$0.20484	$0.18	30 June 2010	500,000
Mr S McCullough	150,000	8 July 2009	$0.20484	$0.18	30 June 2010	150,000
Ms M De Ville	100,000	8 July 2009	$0.20484	$0.18	30 June 2010	100,000

The above options were provided at no cost to the recipients. No options were granted during the year ended 31 July 2008, nor have any been granted since 31 July 2009.

5.1 Remuneration report – audited (continued)

5.1.3 Equity instruments (continued)

5.1.3.1 Shares, options and rights over equity instruments granted as compensation (continued)

Details on ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on the shares that vested during the reporting period are as follows:

	Number of shares granted during 2008	Grant date	Fair value per share at grant date ($)	Number of shares vested during 2009	Number of unvested shares as at 31 July 2009
Mr S Banfield	99,971	13 Dec 2007	$0.42373	19,994	75,603
Mr C Levy	90,565	13 Dec 2007	$0.42322	18,113	68,758
Ms M De Ville	31,401	13 Dec 2007	$0.43096	6,280	22,445

The shares in the table above were granted under the incentive plans that ceased to operate following the acquisition of TPG in April 2008. The unvested shares will vest in accordance with the rules described in 5.1.1. No shares have been granted to key management personnel since 13 December 2007.

5.1.3.2 Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

5.1.3.3 Exercise of options granted as compensation

On 15 July 2009, Mr V Piestrzynski exercised 1,000,000 of his options by paying to the Company $0.18 per option. 1,000,000 ordinary shares were accordingly issued to him on 6 August 2009. No other options were exercised by key management personnel during the reporting period.

5.1.3.4 Analysis of options and rights over equity instruments granted as compensation

All options granted on 8 July 2009 vested fully on that date and are not subject to forfeiture. Other than those exercised by Mr V Piestrzynski detailed in 5.1.4.3 above, all options granted to key management personnel on that date remain outstanding at 31 July 2009, but must be exercised by 30 June 2010 at the latest.

6. Principal activities

During the financial year the principal continuing activities of the Consolidated Entity consisted of :

- Licensed telecommunications carrier in accordance with the Telecommunications Act 1997.
- Sale of retail and wholesale telecommunication products and services.

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Directors' report (continued)
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7. Operating and financial review

Consolidated Entity earnings before interest, tax, depreciation and amortisation (EBITDA) for the year were $98.5 million whilst net profit after tax (NPAT) was $17.7 million (compared to guidance of $93 million and $16 million respectively).

These results represent a 296% increase on the EBITDA of $24.9 million achieved last year and a 194% increase on last year's $18.9 million net loss after tax.

Earnings per share for the year of 2.6 cents represent a 168% increase on the 3.8 cents loss per share last year.

The continued growth of the business has been underpinned by broadband subscribers, with net additions for the year ended 31 July 2009 of 88,000 including 56,000 added in the second-half of the financial year. Total broadband subscribers have reached 400,000 in September 2009.

The TPG consumer mobile offering, since its inception in late 2008 has already been taken up by more than 90,000 subscribers, comprising new customers and customers transferring from the Soul post paid plans.

The corporate and government business has continued to focus on improving systems and processes resulting in improved customer service levels, with increasing on-net services providing improved margins.

Cash Flow
The Consolidated Entity generated a net cash inflow from operations before interest, tax, capex and debt repayments during the year of $153 million. This excellent cash generation included a significant improvement of $29 million in working capital and has enabled the Consolidated Entity to make repayments in the year of $81 million against its bank debt facilities, including $60 million in the second-half of the financial year.

In the 15 months since the April 2008 merger with TPG, the Consolidated Entity has repaid $95 million of bank debt, putting it $72 million ahead of its debt repayment schedule. It now has $58 million of bank debt remaining and its next compulsory debt repayment does not arise until February 2011.

Final Dividend
On 22 September 2009 the directors also declared a fully franked final dividend of 1 cent per share, payable on 18 November 2009 to shareholders on the register at 21 October 2009. For this dividend, the DRP (Dividend Reinvestment Plan) discount will be 2.5%.

Guidance for FY10
The Consolidated Entity's strong profit growth is forecast to continue and the directors have provided the following guidance for the FY10 result:

- Revenue $460 million
- EBITDA $130 million (excludes amortisation of deferred subscriber acquisition costs)
- EBIT $71 million.

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2009

8. Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount $'000	Franked/ unfranked	Date of payment
Declared and paid during the year 2009				
Interim 2009 ordinary	1.0	6,842	Franked	27 May 2009
Total amount		6,842		

Franked dividends declared as paid during the year were fully franked at the rate of 30 per cent.

Declared after end of year

After the balance sheet date the directors have declared a fully franked dividend of 1.0 cents per ordinary share payable on 18 November 2009 to shareholders on the register at 21 October 2009.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 31 July 2009 and will be recognised in subsequent financial reports.

9. Events subsequent to reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

10. Likely developments

Other than the matters discussed, there are no material likely developments for the Consolidated Entity at the date of this report.

11. Directors' interests

The relevant interest of each director in the shares and options over such instruments issued by the companies within the Consolidated Entity and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Shares in SP Telemedia Limited
Mr D Teoh	273,383,415
Mr RD Millner	5,837,468
Mr D Ledbury	311,709
Mr AJ Latimer	1,322,844
Mr J Pang	-

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2009

12. Share options

Options granted to directors and executives of the Consolidated Entity
During or since the financial year, the Company granted options over unissued ordinary shares in the Company to the following of the five most highly remunerated officers of the Consolidated Entity as part of their remuneration:

Executives	Number of options granted
Mr V Piestrzynski	1,000,000
Mr J Paine	700,000
Mr C Levy	500,000
Mr S Banfield	500,000
Mr S McCullough	150,000

All of the above options were granted during the financial year. None have been granted since the end of the financial year. No options have been granted to any director during or since the financial year.

Unissued shares under options
At the date of this report there are 6,205,000 unissued ordinary shares of the Company under option, all with an exercise price of $0.18 and with an expiry date of 30 June 2010. None of these outstanding options are subject to forfeiture.

Shares issued on exercise of options
During or since the end of the financial year, the Company issued 4,670,000 ordinary shares as a result of the exercise of options. The amount paid for each of these shares was $0.18. There are no amounts unpaid on the shares issued.

13. Indemnification and insurance of officers and auditors

Indemnification
The Company has agreed to indemnify all directors and officers of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has also agreed to indemnify all directors and officers of its controlled entities for all liabilities to another person (other than the company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums
Since 31 July 2008 the Company has paid insurance premiums of $34,391 in respect of directors' and officers' liability insurance contracts, for current and former directors and officers, including senior executives of the Company and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses that may be incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2009

14. Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit & Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors have been disclosed:

	Consolidated	
	2009 **$**	**2008** **$**
Audit services:		
Auditors of the Company:		
Audit and review of financial reports (KPMG Australia)	405,000	423,000
Other Auditors:		
Audit and review of financial reports (Hayes Knight)	-	59,600
Audit and review of financial reports (PKF)	-	40,000
	405,000	522,600
Services other than statutory audit:		
Other regulatory audit services:		
Telecommunications USO return (KPMG Australia)	5,000	5,000
Bank covenant compliance certificate (KPMG Australia)	7,500	7,500
Other services:		
Taxation compliance services (Hayes Knight)	-	69,600
Taxation compliance services (PKF)	-	16,000
Other assurance services (Hayes Knight)	-	14,500
	12,500	112,000

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2009

15. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 90 and forms part of the directors' report for financial year ended 31 July 2009.

16. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

David Teoh
Chairman

Dated at Sydney this 15th day of October, 2009.

SP Telemedia Limited and its controlled entities
Income statements
For the year ended 31 July 2009

		Consolidated		Company	
In thousands of AUD	***Note***	**2009**	**2008**	**2009**	**2008**
Revenue		481,169	446,449	-	-
Cost of sales	*9*	(291,406)	(303,345)	-	-
Gross profit		189,763	143,104	-	-
Other income	*8*	-	7,658	13,661	-
Selling and distribution expenses	*9*	(42,737)	(50,435)	-	-
Administrative expenses	*9*	(111,761)	(120,604)	(5,036)	(2,546)
Results from operating activities		35,265	(20,277)	8,625	(2,546)
Finance income	*11*	1,342	4,565	12	2,389
Finance expenses	*11*	(10,284)	(7,952)	(8,499)	(7,000)
Net finance expense		(8,942)	(3,387)	(8,487)	(4,611)
Profit/(loss) before income tax		26,323	(23,664)	138	(7,157)
Income tax (expense)/benefit	*12*	(8,662)	4,731	(612)	92
Profit/(loss) for the year		17,661	(18,933)	(474)	(7,065)
Attributable to:					
Equity holders of the Company		17,661	(18,783)	(474)	(7,065)
Minority interest		-	(150)	-	-
Profit/(loss) for the year		17,661	(18,933)	(474)	(7,065)
Earnings/(loss) per share:					
Basic earnings/(loss) per share	*13*	2.6	(3.9)		
Diluted earnings/(loss) per share	*13*	2.5	(3.9)		

The notes on pages 27 to 86 are an integral part of these consolidated financial statements.

SP Telemedia Limited and its controlled entities
Statements of recognised income and expense
For the year ended 31 July 2009

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Foreign currency translation differences on retranslation of foreign operations	207	(156)	-	-
Income and expense recognised directly in equity	207	(156)	-	-
Profit/(loss) for the year	17,661	(18,933)	(474)	(7,065)
Total recognised income and expense for the year	17,868	(19,089)	(474)	(7,065)
Attributable to:				
Equity holders of the Company	17,868	(18,939)	(474)	(7,065)
Minority interest	-	(150)	-	-
Total recognised income and expense for the year	17,868	(19,089)	(474)	(7,065)

The notes on pages 27 to 86 are an integral part of these consolidated financial statements.

SP Telemedia Limited and its controlled entities
Balance sheets
As at 31 July 2009

In thousands of AUD	*Note*	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Assets					
Cash and cash equivalents	*14*	17,179	14,053	109	107
Trade and other receivables	*15*	30,282	64,483	22	98
Inventories	*16*	705	1,133	-	-
Intangible assets	*22*	7,315	24,720	-	-
Current tax assets	*19*	55	-	-	-
Prepayments and other assets	*17*	6,983	9,814	1,868	2,025
Total current assets		**62,519**	**114,203**	**1,999**	**2,230**
Receivables	*15*	-	2,804	80,995	103,460
Investments	*18*	-	-	461,928	462,061
Deferred tax assets	*20*	-	-	4,180	5,507
Property, plant and equipment	*21*	135,408	137,594	-	-
Intangible assets	*22*	324,904	361,089	-	-
Prepayments and other assets	*17*	993	2,705	269	1,833
Total non-current assets		**461,305**	**504,192**	**547,372**	**572,861**
Total assets		**523,824**	**618,395**	**549,371**	**575,091**
Liabilities					
Trade and other payables	*23*	75,997	80,917	693	1,405
Loans and borrowings	*24*	8,535	22,294	73,392	33,665
Current tax liabilities	*19*	8,023	8,353	8,023	512
Employee benefits	*25*	3,066	3,100	-	-
Provisions	*26*	936	827	-	-
Deferred income and other liabilities	*27*	25,371	32,459	325	355
Total current liabilities		**121,928**	**147,950**	**82,433**	**35,937**
Loans and borrowings	*24*	58,429	137,629	58,000	130,000
Deferred tax liabilities	*20*	8,070	17,050	-	-
Employee benefits	*25*	537	746	-	-
Provisions	*26*	2,193	156	-	-
Deferred income and other liabilities	*27*	7,869	8,214	-	-
Total non-current liabilities		**77,098**	**163,795**	**58,000**	**130,000**
Total liabilities		**199,026**	**311,745**	**140,433**	**165,937**
Net assets		**324,798**	**306,650**	**408,938**	**409,154**
Equity					
Share capital	*28*	389,747	384,693	389,747	384,693
Reserves	*28*	(54,079)	(55,878)	1,842	(204)
(Accumulated losses)/retained earnings	*28*	(10,870)	(22,165)	17,349	24,665
Total equity		**324,798**	**306,650**	**408,938**	**409,154**

The notes on pages 27 to 86 are an integral part of these consolidated financial statements.

SP Telemedia Limited and its controlled entities
Statements of cash flows
For the year ended 31 July 2009

In thousands of AUD	***Note***	**Consolidated 2009**	**Consolidated 2008**	**Company 2009**	**Company 2008**
Cash flows from operating activities					
Cash receipts from customers		549,549	456,155	-	-
Cash paid to suppliers and employees		(396,723)	(419,379)	(1,974)	(1,205)
Cash generated from operations		152,826	36,776	(1,974)	(1,205)
Interest received		773	3,438	11	2,394
Interest paid		(9,920)	(5,876)	(8,292)	(5,096)
Income taxes paid		(19,104)	(17,268)	(872)	(12,805)
Net cash from operating activities	*34*	**124,575**	**17,070**	**(11,127)**	**(16,712)**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		34	91	-	-
Acquisition of property, plant and equipment		(23,040)	(21,694)	-	-
Acquisition of subsidiaries, net of cash acquired	*7*	-	(135,565)	-	(154,831)
Acquisition of minority interest, net of costs		-	(98)	-	(45)
Security deposits		(348)	-	(348)	-
Loans to related parties		-	(1,291)	-	-
Loans from subsidiaries		-	-	90,957	19,138
Net cash (used in)/from investing activities		**(23,354)**	**(158,557)**	**90,609**	**(135,738)**
Cash flows from financing activities					
Payment of transaction costs on issue of share capital		(17)	(124)	(17)	(124)
Proceeds from exercise of share options		229	-	229	-
Proceeds from borrowings		-	150,000	-	150,000
Repayment of borrowings		(83,375)	(55,378)	(78,000)	(52,517)
Repayments to related parties		-	-	-	-
Payment of finance lease liabilities		(13,510)	(6,024)	-	-
Restricted cash released		80	1,083	79	-
Dividends paid		(1,771)	(14,588)	(1,771)	(14,588)
Net cash (used in)/from financing activities		**(98,364)**	**74,969**	**(79,480)**	**82,771**
Net increase/(decrease) in cash and cash equivalents		2,857	(66,518)	2	(69,679)
Cash and cash equivalents at 1 August		14,053	80,644	107	69,786
Effect of exchange rate fluctuations on cash held		269	(73)	-	-
Cash and cash equivalents at 31 July	*14*	**17,179**	**14,053**	**109**	**107**

The notes on pages 27 to 86 are an integral part of these consolidated financial statements.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2009

Index to notes to the consolidated financial statements

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2009

1. Reporting entity

SP Telemedia Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 65 Waterloo Road, North Ryde, NSW 2113. The consolidated financial report of the Company as at, and for the year ended 31 July 2009 comprises the Company and its subsidiaries (together referred to as the 'Consolidated Entity' and individually as 'Consolidated entities').

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were approved by the Board of Directors on 15 October 2009.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis with the exception of assets and liabilities acquired through business combinations being measured at fair value. The methods used to measure fair values are discussed further at note 4.

The accounts have been prepared on a going concern basis as there are reasonable grounds to believe that the Company and Consolidated Entity will be able to pay their debts as and when they become due and payable based on management's budgeted cashflows which have been approved by the Board, notwithstanding the fact that the classifications within the 31 July 2009 consolidated balance sheet show a net current liability position.

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Consolidated Entity.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 7 – business combinations
- note 18 – measurement of the recoverable amounts of investments in subsidiaries
- note 20 – utilisation of tax losses
- note 22 – measurement of the recoverable amounts of cash-generating units containing goodwill
- note 29 – valuation of financial instruments.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Consolidated Entities.

Certain comparative amounts have been reclassified to conform with the current year presentation.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Consolidated Entity. Control exists when the Consolidated Entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Consolidated Entity.

Investments in subsidiaries are carried at the lower of their cost of acquisition or fair value in the Company's financial statements.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(iii) Acquisition of minority interests

On acquisition of minority interests the Consolidated Entity recognises the difference between the cost of the acquisition and the carrying value of the minority interests as an equity reserve.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

3. Significant accounting policies (continued)

(c) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses (see accounting policy (h)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the Consolidated Entity assumes substantially all the risks and rewards of ownership are classified as finance leases.

(iii) Subsequent costs

The Consolidated Entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives in the current and comparative periods are as follows:

• Plant and equipment	2.5 - 20 years
• Leasehold improvements	8 years
• Leased assets	5 - 10 years
• Buildings	40 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

3. Significant accounting policies (continued)

(d) Intangible assets

(i) Goodwill

Business combinations

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and tested annually for impairment (see accounting policy (h)).

(ii) Capitalised subscriber costs

Capitalised subscriber costs comprising dealer connection commissions, fulfilment costs and sim-cards are recognised as an asset and amortised using the straight line method from the date of initial recognition over the period during which the future economic benefits are expected to be obtained, being the contract period.

(iii) Acquired customer base

On acquisition of a subsidiary, customers of the acquired subsidiary are valued and brought to account as intangible assets. The value given to the customers is the expected future economic benefit expected to be derived from these customers.

(iv) Development costs

Operating costs incurred in developing or acquiring income producing assets are recognised as an asset and amortised using the straight line method from the date of initial recognition over the period during which the future economic benefits are expected to be obtained, being the contract period.

(v) Trademark

On acquisition of a subsidiary, trademarks of the acquired subsidiary are valued and brought to account as intangible assets. The valuation of a trademark is calculated using the Relief from Royalty Method.

(vi) Internally-generated software

On acquisition of a subsidiary, internally developed software and systems are valued and brought to account as intangible assets. The software is valued at its depreciated replacement cost.

(vii) Indefeasible right of use of capacity

Indefeasible rights of use of capacity are brought to account as intangible assets at cost, being the present value of the future cashflows payable for the right.

3. Significant accounting policies (continued)

(d) Intangible assets (continued)

(viii) Other intangible assets

Other intangible assets that are acquired by the Consolidated Entity are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (h)).

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

(ix) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(x) Amortisation

Amortisation is charged to the income statement on a straight-line basis, unless stated otherwise, over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in the current and comparative periods are as follows:

• Goodwill	indefinite life
• Trademark	indefinite life
• Indefeasible right of use (IRU) of capacity	over the life of the IRU
• Acquired customer bases	amortised on a reducing balance basis in line with the expected economic benefits to be derived from the acquired customer base
• Internally-generated software	5 years
• Capitalised subscriber costs	2 years
• Development costs	2 - 20 years

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2009

3. Significant accounting policies (continued)

(e) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (h)).

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(h) Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amounts of the Consolidated Entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2009

3. Significant accounting policies (continued)

(h) Impairment (continued)

(i) Calculation of recoverable amount

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance sheet date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant accounting policies (continued)

(h) Impairment (continued)

(iii) Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired
- the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the Consolidated Entity has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

(i) Share capital

Transaction costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

3. Significant accounting policies (continued)

(k) Employee benefits

(i) Long-term service benefits

The Consolidated Entity's net obligation in respect of long-term service is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Consolidated Entity's obligations.

(ii) Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax. Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Consolidated Entity as the benefits are taken by the employees.

(iii) Employee share option plan

During the financial year ended 31 July 2009, the Company offered options to employees of the Consolidated Entity under an employee share option plan. The fair value of options granted was recognised as an employee expense with a corresponding increase in equity. As all options were immediately exercisable, the fair value of the options was measured using the share price at date of grant (calculated as the 5 day VWAP for the preceding 5 days) less the exercise price, and the resulting expense was recognised in full in the year ended 31 July 2009.

(iv) Employee share scheme

The Consolidated Entity has in place an Employee Share Scheme that provides for selected employees to receive ordinary shares in the Company. Under this scheme funds are transferred to a trust which acts as an agent and purchases shares for the benefit of the selected employees. A treasury share reserve is recognised for the funds transferred to the scheme. An employee expense is recognised over the period during which the employees become unconditionally entitled to the shares with a corresponding decrease in the treasury share reserve.

(v) Superannuation

The Company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are recognised as an expense in the income statement on an accruals basis.

3. Significant accounting policies (continued)

(l) Provisions

A provision is recognised in the balance sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(m) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

(n) Revenue

(i) Goods sold and services rendered

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

(ii) Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

Revenue from the sale of equipment and handsets is recognised in the income statement (net of rebates, returns, discounts and other allowances) when the significant risks and rewards of ownership have been transferred to the customer, which is ordinarily when the equipment and handset is delivered to the customer.

Where the sale is settled through instalments, interest revenue is recognised over the contract term, using the effective interest method.

(iii) Rendering of services

Revenue from rendering services is recognised in proportion to the stage of completion of the contract and is only brought to account when it is considered probable that the revenue will be received.

Revenue from the provision of telecommunication services includes access to the mobile network, telephone calls, connection and retention commission and other services. Connection and retention commissions are recognised on a straight-line basis over the specified contract period. These are received at the time of connection or retention of a customer. These are deferred and amortised over the contract term. Airtime and access fee revenues are recognised when the fee in respect of the services is earned.

(iv) Unearned revenue

Unearned revenue represents customer access fees invoiced that are not earned at the reporting date. Access fees are normally invoiced to customers one month in advance. This is taken to revenue in the month to which the access fees relate.

3. Significant accounting policies (continued)

(o) Expenses

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Finance income and expenses

Net financing costs comprise interest payable on borrowings calculated using the effective interest method and interest receivable on funds invested. Borrowing costs are expensed as incurred and included in net financing costs.

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levies by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

3. Significant accounting policies (continued)

(p) Income tax (continued)

Tax consolidation

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 August 2006 and have therefore been taxed as a single entity from that date. The head entity within the tax-consolidated group is SP Telemedia Limited.

TPG Holdings Pty Ltd and its wholly owned Australian resident entities joined the Company's tax-consolidated group from 7 April 2008 (the date of acquisition of TPG).

Chariot Pty Ltd joined the Company's tax-consolidated group from 14 August 2008.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity, in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

3. Significant accounting policies (continued)

(q) Segment reporting

A segment is a distinguishable component of the Consolidated Entity that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments.

(r) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(s) Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options.

3. Significant accounting policies (continued)

(t) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 July 2009, but have not been applied in preparing this financial report:

- **Revised AASB 3 *Business Combinations (2008)*** incorporates the following changes that are likely to be relevant to the Consolidated Entity's operations: the broadening of the definition of a business, which is likely to result in more acquisitions being treated as business combinations; contingent consideration being measured at fair value with subsequent changes therein recognised in profit or loss; transaction costs, other than share and debt issue costs, being expensed as incurred; any pre-existing interest in the acquiree being measured at fair value with the gain or loss recognised in profit or loss; any non-controlling (minority) interest being measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  The revised standard, which becomes mandatory for the Consolidated Entity's 31 July 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Consolidated Entity's 2010 consolidated financial report.

- **AASB 8 *Operating Segments*** introduces the "management approach" to segment reporting. AASB 8, which becomes mandatory for the Consolidated Entity's 31 July 2010 financial statements, will require a change in the presentation on and disclosure of segment information based on the internal reports regularly reviewed by the Consolidated Entity's chief operating decision maker in order to assess each segment's performance and to allocate resources to them. Currently the Consolidated Entity presents segment information in respect of its business and geographical segments (see note 6). The standard is not expected to have an impact on the financial results of the Company and the Consolidated Entity as the standard is only concerned with disclosures.

- **Revised AASB 101 *Presentation of Financial Statements (2007)*** introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income.

  The revised standard will become mandatory for the Consolidated Entity's 31 July 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's disclosures.

3. Significant accounting policies (continued)

(t) New standards and interpretations not yet adopted (continued)

- **Revised AASB 123 *Borrowing Costs*** removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

  The revised standard will become mandatory for the Consolidated Entity's 31 July 2010 financial statements and will constitute a change in accounting policy for the Consolidated Entity. In accordance with the transitional provisions the Consolidated Entity will apply the revised AASB 123 to qualifying assets for which capitalisation of borrowing costs commences on or after the effective date. Therefore there will be no impact on prior periods in the Consolidated Entity's 31 July 2010 financial statements.

- **Revised AASB 127 *Consolidated and Separate Financial Statements (2008)*** requires accounting for changes in ownership interests by the Consolidated Entity in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Consolidated Entity loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the resulting gain or loss being recognised in profit or loss.

  The revised standard will become mandatory for the Consolidated Entity's 31 July 2010 financial statements. The Consolidated Entity has not yet determined the potential effect of the revised standard on the Consolidated Entity's financial report.

- **AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations*** clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations.

  AASB 2008-1 will be mandatory for the Consolidated Entity's 31 July 2010 financial statements, with retrospective application. The Consolidated Entity has not yet determined the potential effect of the amending standard on the Consolidated Entity's financial report.

4. Determination of fair values

A number of the Consolidated Entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

5. Financial risk management

Overview

The Company and Consolidated Entity have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's and Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report (including note 29).

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Consolidated Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Consolidated Entity's activities. The Company and Consolidated Entity, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Consolidated Entity's Audit & Risk Committee oversees how management monitors compliance with the Company's and Consolidated Entity's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Consolidated Entity. The Consolidated Entity's Audit & Risk Committee is assisted in its oversight role by the Risk Management Committee. The Risk Management Committee undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Consolidated Entity's Audit & Risk Committee.

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables from customers. For the Company it arises from receivables due from subsidiaries.

Trade and other receivables

The Company's and Consolidated Entity's exposure to credit risk is influenced mainly by the individual characteristics of each customer, the industry in which the customers operate and the geographical region in which the customers operate.

- Approximately 41% (2008: 68%) of the Consolidated Entity's trade receivables are attributable to retail customers. The Consolidated Entity minimises concentrations of credit risk by undertaking transactions with a large number of customers.
- By industry, the Consolidated Entity is not subject to a concentration of credit risk as its customers operate in a wide range of industries.
- Geographically, the Consolidated Entity's credit risk is concentrated in Australia.

5. Financial risk management (continued)

Credit risk (continued)

Trade and other receivables (continued)

The Company and Consolidated Entity have established a credit policy under which each new customer is analysed individually for creditworthiness before the Consolidated Entity's standard payment and delivery terms and conditions are offered. The Consolidated Entity's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer. These limits are reviewed regularly. Customers that fail to meet the Consolidated Entity's benchmark creditworthiness may transact with the Consolidated Entity only on a prepayment basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties.

The Company and Consolidated Entity have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity monitors cash flow requirements from its businesses to optimise its return on cash. The Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

In addition, the Consolidated Entity maintains a bank overdraft facility of $7.9 million (2008: $6 million) which was fully unutilised at 31 July 2009 (2008: fully unutilised).

5. Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Consolidated Entity is exposed to currency risk on revenues, expenses, receivables and borrowings that are denominated in a currency other than the functional currency of the Company, the Australian dollar (AUD). These other currencies include the United States dollar (USD), the New Zealand dollar (NZD) and Philippine peso (PP).

The Consolidated Entity does not hedge its exposure to these non-functional currencies as the exposure is not considered to be a significant risk to the Consolidated Entity.

Interest rate risk

The Consolidated Entity has adopted a policy of hedging its exposure to changes in interest rates on its core borrowings. An interest rate cap agreement was entered into on 22 April 2008 to effectively hedge 50 percent of the maximum cash advance available ($150 million) under the loan agreement entered into on the same date. The balance of this loan advance was $58 million at 31 July 2009 (2008: $136 million).

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors the return on capital, which the Consolidated Entity defines as net operating income divided by total shareholders' equity, excluding minority interests. The Board of directors also monitors the level of dividends to ordinary shareholders.

It is a policy of the Board to encourage employees of the Consolidated Entity to hold ordinary shares in the Company.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

From time to time the Consolidated Entity may purchase its own shares on the market; the timing of these purchases depends on market prices. The Consolidated Entity does not currently have a defined share buy-back plan.

There were no changes in the Consolidated Entity's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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6. Segment reporting

Segment information is presented in respect of the Consolidated Entity's business segments based on the Consolidated Entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Consolidated Entity operates predominantly in the Australian telecommunications industry.

Geographical segments

The Consolidated Entity operates predominantly within Australia.

SP Telemedia Limited and its controlled entities
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7. Acquisitions of subsidiaries and minority interests

Acquisition of subsidiary TPG Holdings Limited

On 7 April 2008, the parent entity acquired 100% of TPG Holdings Limited.

The consideration for the acquisition was a cash payment of $150 million plus the issue of 270,000,003 ordinary shares in SP Telemedia Limited. The cash payment was financed through a bank loan.

The operating results of TPG Holdings Limited and its controlled entities have been included in the consolidated income statement since the date of acquisition.

The acquisition had the following effect on the Consolidated Entity's assets and liabilities on acquisition date:

In thousands of AUD	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	24,960	-	24,960
Intangible assets (excluding goodwill)	47,280	90,818	138,098
Goodwill	5,931	(5,931)	-
Inventories	489	-	489
Deferred tax assets	4,910	-	4,910
Trade and other receivables	3,342	-	3,342
Cash and cash equivalents	19,274	-	19,274
Prepayments	1,412	-	1,412
Interest-bearing loans and borrowings	(27,565)	477	(27,088)
Current tax liabilities	(8,990)	-	(8,990)
Employee benefits	(636)	-	(636)
Provisions	(653)	-	(653)
Deferred tax liabilities	(3,659)	(24,125)	(27,784)
Deferred revenue	(13,393)	-	(13,393)
Trade and other payables	(22,368)	(2,610)	(24,978)
Net identifiable assets and liabilities	30,334	58,629	88,963
Outside equity interests			1,124
			90,087
Goodwill on acquisition			174,102
Consideration paid (including transaction costs)			264,189
Less Consideration paid, satisfied by issue of shares in parent entity			(109,350)
Less Net cash acquired			(19,274)
Net cash outflow			135,565

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

In the period from 7 April 2008 to 31 July 2008 the acquisition contributed $61.341 million to consolidated revenue and $8.904 million to consolidated net profit after tax. If the acquisition had occurred on 1 August 2007, management estimates that the acquisition would have contributed $167.687 million to consolidated revenue and $28.382 million to consolidated net profit after tax.

7. Acquisitions of subsidiaries and minority interests (continued)

Adjustment to provisional acquisition accounting

It was noted at 31 July 2008 that the acquisition accounting shown above was provisional pending potential adjustments that could be made to reflect new information obtained about facts and circumstances that existed at the date of acquisition which would have affected measurement of amounts recognised at that date.

During the year ended 31 July 2009, the income tax assessment for TPG Holdings Pty Ltd was finalised for the period up until the date of its acquisition by the Company. The income tax payable was $348,000 higher than the amount provided for in its balance sheet at the date of acquisition, resulting in an understatement of goodwill on acquisition of $348,000 at 31 July 2008.

In this year end report, the 31 July 2008 balance sheet comparatives have therefore been adjusted to reflect this amendment, by increasing non-current intangibles by $348,000 and increasing current tax liabilities by $348,000.

Acquisition of minority interest in Chariot Limited

On 7 April 2008, the parent entity acquired 70.25% of Chariot Limited and its controlled entities by way of its 100% acquisition of TPG Holdings Limited.

On 22 April 2008, the parent entity announced an unconditional offer to acquire the shares in its controlled entity, Chariot Limited, that it did not already own, at an offer price of 6.1 cents per share. On 27 May 2008, the parent entity's relevant interest in Chariot Limited exceeded the threshold required to trigger the compulsory acquisition provisions. The final shares were acquired under compulsory acquisition on 14 August 2008.

Prior to announcing the offer, the parent entity held 70.25% of the shares in Chariot Limited. As a result of the acquisition, the net profit after tax attributable to members for the 2008 financial year incorporates 70.25% of the Chariot Limited results for the period 7 April 2008 to 27 May 2008 and 100% of its results for the period 28 May 2008 to 31 July 2008.

The total cost of the acquisition of the remaining shares was $2.7 million (including transaction costs), with the surplus of the acquisition price over the minority interest acquired being recognised in equity in accordance with the Consolidated Entity's accounting policies (refer note 3). The effect of the surplus led to a reduction in the net assets of the Consolidated Entity of $3.98 million.

The $2.7 million cost of acquisition was financed by the issue of 8,991,543 shares in SP Telemedia Limited.

Take over of operation of retail stores

On 19 June 2008, following termination of a dealer agreement, the Consolidated Entity elected to take over the management and operations of certain retail stores which were up until then being operated by that dealer. This involved offering employment to employees whose employment had been terminated by the dealer. The fair value of assets and liabilities acquired from the dealer was $nil and there was $nil consideration paid.

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8. Other Income

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Results from operations include the following specific items within Other income:				
Lease surrender fee	-	7,398	-	-
Management fee	-	-	13,661	-

9. Expenses

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Results from operating activities include the following specific expenses within:				
a) Cost of sales				
Amortisation of capitalised deferred subscriber acquisition costs	20,071	32,676	-	-
Impairment of capitalised deferred subscriber acquisition costs	2,196	7,453	-	-
b) Selling and distribution expenses				
Depreciation of plant and equipment	27,193	19,670	-	-
Impairment of plant and equipment	-	7,756	-	-
Employee benefits	5,274	7,089		
c) Administrative expenses				
Amortisation of non-current intangibles	36,075	18,356	-	-
Bad and doubtful debts expense	3,438	23,420	-	-
Employee benefits	37,712	41,403	2,228	-
Net foreign exchange losses/(gains)	5,171	(2,471)	-	-

10. Auditors' remuneration

	Consolidated		Company	
	2009	2008	2009	2008
Audit services				
Auditors of the Company – KPMG Australia				
Audit and review of financial reports	405,000	423,000	-	-
Other regulatory audit services	12,500	12,500	-	-
	417,500	435,500	-	-
Other Auditors – Hayes Knight				
Audit and review of financial reports	-	59,600	-	-
Other Auditors – PKF				
Audit and review of financial reports	-	40,000	-	-
	417,500	535,100	-	-
Other services				
Auditors of the Company – KPMG Australia				
Other assurance services	-	-	-	-
Taxation	-	-	-	-
Other Auditors – Hayes Knight				
Other assurance services	-	14,500	-	-
Taxation	-	69,000	-	-
Other Auditors – PKF				
Taxation	-	16,000	-	-
	-	99,500	-	-

11. Finance income and expense

Recognised in profit or loss

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Interest income	1,342	4,565	12	2,389
Interest expense	(9,791)	(6,427)	(8,033)	(5,475)
Borrowing costs	(493)	(1,525)	(466)	(1,525)
Net finance expense	(8,942)	(3,387)	(8,487)	(4,611)

Recognised in equity

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Foreign currency translation differences on retranslation of foreign operations	207	(156)	-	-
Finance income(expense) recognised directly in equity, net of tax	207	(156)	-	-
Attributable to:				
Equity holders of the Company	207	(156)	-	-
Minority interest	-	-	-	-
Finance income(expense) recognised directly in equity, net of tax	207	(156)	-	-

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12. Income tax expense

Recognised in the income statement

In thousands of AUD	*Note*	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Current tax expense					
Current year		17,538	3,073	(958)	(14,004)
Adjustments for prior years		(100)	(365)	-	(365)
		17,438	2,708	(958)	(14,369)
Deferred tax expense					
Origination and reversal of temporary differences		(8,776)	(7,439)	1,327	3,308
Tax losses transferred on tax consolidation		-	-	243	10,969
		(8,776)	(7,439)	1,570	14,277
Total income tax expense/(benefit)		8,662	(4,731)	612	(92)

Numerical reconciliation between tax expense and pre-tax accounting profit

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Profit/(loss) before income tax	26,323	(23,664)	138	(7,157)
Income tax expense/(benefit) using the Company's domestic tax rate of 30% (2008: 30%)	7,896	(7,098)	41	(2,147)
Increase/(decrease) in income tax expense due to:				
Non-deductible expenses/(other deductible items)	866	(163)	571	(37)
Effect of implementation of tax consolidation	-	438	-	-
Effect of tax losses cancelled on failure of continuity of ownership tests	-	2,457	-	2,457
	8,762	(4,366)	612	273
Over provided in prior years	(100)	(365)	-	(365)
Income tax expense/(benefit)	8,662	(4,731)	612	(92)

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13. Earnings per share

	2009 Cents	2008 Cents
Basic earnings/(loss) per share	2.6	(3.9)
Diluted earnings/(loss) per share	2.5	(3.9)

	2009 Number	2008 Number
Weighted average number of shares used in calculating basic earnings per share		
Ordinary shares issued at 1 August	684,200,230	405,208,684
Effect of ordinary shares issued under the Dividend Reinvestment Plan	3,454,927	-
Effect of ordinary shares issued as part consideration for purchase of 100% of TPG Holdings Limited	-	84,836,067
Effect of ordinary shares issued as consideration for purchase of minority interest of Chariot Limited	-	1,596,754
Weighted average number of ordinary shares at 31 July	687,655,157	491,641,505
Weighted average number of shares used in calculating diluted earnings per share		
Ordinary shares issued at 1 August	684,200,230	405,208,684
Effect of ordinary shares issued under the Dividend Reinvestment Plan	3,454,927	-
Effect of ordinary shares issued as part consideration for purchase of 100% of TPG Holdings Limited	-	84,836,067
Effect of ordinary shares issued as consideration for purchase of minority interest of Chariot Limited	-	1,596,754
Effect of share options on issue	6,559,630	-
Weighted average number of ordinary shares at 31 July	694,214,787	491,641,505

In thousands of AUD	2009	2008
Profit/(loss) attributable to ordinary shareholders		
Profit/(loss) for the year	17,661	(18,933)
Loss attributable to outside equity interest	-	(150)
Profit/(loss) attributable to ordinary shareholders used in calculating **basic and diluted** earnings per share	17,661	(18,783)

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14. Cash and cash equivalents

		Consolidated		Company	
In thousands of AUD	*Note*	2009	2008	2009	2008
Current					
Bank balances		17,172	14,046	109	107
Cash		7	7	-	-
Cash and cash equivalents		17,179	14,053	109	107
Bank overdraft		-	-	-	-
Cash and cash equivalents in the statements of cash flows		17,179	14,053	109	107

The Consolidated Entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 29.

15. Trade and other receivables

		Consolidated		Company	
In thousands of AUD	*Note*	2009	2008	2009	2008
Current					
Trade receivables		20,489	73,863	-	-
Less: Provision for impairment losses		(7,819)	(23,844)	-	-
Accrued income		13,608	7,650	-	-
Other receivables		4,004	6,814	22	98
		30,282	64,483	22	98
Non-current					
Other receivables		-	2,804	-	-
Loans to controlled entities		-	-	80,995	103,460
		-	2,804	80,995	103,460

The Consolidated Entity's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 29.

16. Inventories

		Consolidated		Company	
In thousands of AUD	*Note*	2009	2008	2009	2008
Customer hardware		705	1,133	-	-

During the year ended 31 July 2009, the write-down of inventories to net realisable value amounted to $785,206 (2008: $732,330).

17. Prepayments and other assets

		Consolidated		Company	
In thousands of AUD	*Note*	2009	2008	2009	2008
Current					
Prepayments		6,983	8,748	1,868	2,025
Other		-	1,066	-	-
		6,983	9,814	1,868	2,025
Non-current					
Security deposits		993	749	269	-
Prepayments		-	1,833	-	1,833
Other		-	123	-	-
		993	2,705	269	1,833

18. Investments

In thousands of AUD	*Note*	Consolidated 2009	2008	Company 2009	2008
Non-current investments					
Investments in subsidiaries		-	-	461,928	462,061

The carrying value of each of the investments has been compared to its recoverable amount. The recoverable amount is the higher of the fair value less cost to sell, and the value in use. Value in use was determined by discounting the projected future cashflows of the respective subsidiaries. The cashflow projections utilised were the Board approved budgeted cashflows for the year to 31 July 2010, extrapolated based on revenue and margin growth assumptions to cover a 5 year period and incorporating a terminal value. The net projected growth rate in cashflows is 2% per annum in years 2 to 5 based on the long-term industry growth rate. In the terminal phase beyond year 5 the growth rate used was 0%. A pre-tax discount rate of 18% has been used in discounting the projected cashflows, which is based on the Company's WACC adjusted to reflect an estimate of specific risks assumed in the cashflow projections.

In both financial year 2009 and the comparative year, the results from this exercise indicated no impairment.

19. Current tax assets and liabilities

The current tax asset for the Consolidated Entity of $55,000 (2008: $nil) represents the amount of income taxes recoverable in respect of current and prior financial periods that arise from the payment of tax in excess of the amounts due to the relevant tax authority. There was no current tax asset for the Company (2008: $nil) at 31 July 2009.

The current tax liability for the Consolidated Entity of $8.023 million (2008: $8.005 million) represents the amount of income taxes payable in respect of current and prior financial periods. The comparative amount includes $7.841 million relating to the income tax payable by one of its subsidiaries, TPG Holdings Pty Ltd, prior to entering the tax consolidated group on 7 April 2008.

The current tax liability at 31 July 2009 of the Company was $8.023 million (2008: $512,000) and this represents the income tax payable by all members of the tax consolidated group.

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20. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Assets		Liabilities		Net	
In thousands of AUD	2009	2008	2009	2008	2009	2008
Property, plant and equipment	(1)	(457)	4,795	4,679	4,794	4,222
Intangible assets	-	-	14,256	29,189	14,256	29,189
Receivables	(2,266)	(6,891)	1,058	2,609	(1,208)	(4,282)
Inventories	(236)	(306)	-	-	(236)	(306)
Interest-bearing loans and borrowings	-	-	538	871	538	871
Employee benefits	(1,047)	(1,175)	-	-	(1,047)	(1,175)
Payables	(1,625)	(824)	12	-	(1,613)	(824)
Provisions	(2,094)	(601)	-	-	(2,094)	(601)
Other items	(423)	(966)	-	-	(423)	(966)
Unearned revenue	(1,009)	(3,898)	-	-	(1,009)	(3,898)
Tax value of loss carry-forwards recognised	(3,888)	(5,180)	-	-	(3,888)	(5,180)
Tax (assets)/liabilities	(12,589)	(20,298)	20,659	37,348	8,070	17,050
Set off of tax	12,589	20,298	(12,589)	(20,298)	-	-
Net tax liabilities	-	-	8,070	17,050	8,070	17,050

Company	Assets		Liabilities		Net	
In thousands of AUD	2009	2008	2009	2008	2009	2008
Other items	(264)	(271)	-	-	(264)	(271)
Tax value of loss carry-forwards recognised	(3,888)	(5,107)	-	-	(3,888)	(5,107)
Equity raising costs	(28)	(129)	-	-	(28)	(129)
Tax assets	(4,180)	(5,507)	-	-	(4,180)	(5,507)
Set off of tax	-	-	-	-	-	-
Net tax assets	(4,180)	(5,507)	-	-	(4,180)	(5,507)

At 31 July 2009, a deferred tax liability of $14.853 million (2008: $14.853 million) relating to an investment in a subsidiary has not been recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

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20. Deferred tax assets and liabilities (continued)
Movement in temporary differences during the year

In thousands of AUD	Balance 1 August 2007	Recognised in profit or loss	Recognised in equity	Acquired in business combinations	Tax losses transferred on tax consolidation	Balance 31 July 2008	Recognised in profit or loss	Recognised in equity	Tax losses transferred on tax consolidation	Balance 31 July 2009
Consolidated										
Receivables	2,819	(6,912)	-	(189)	-	(4,282)	3,074	-	-	(1,208)
Property, plant and equipment	5,413	(717)	-	(474)	-	4,222	572	-	-	4,794
Intangible assets	10,141	(5,985)	(204)	25,237	-	29,189	(14,729)	(204)	-	14,256
Inventories	-	(298)	-	(8)	-	(306)	70	-	-	(236)
Interest-bearing loans and borrowings	-	258	-	613	-	871	(333)	-	-	538
Payables	-	(741)	-	(83)	-	(824)	(789)	-	-	(1,613)
Investments	-	-	-	-	-	-	-	-	-	-
Unearned revenue	(5,226)	1,328	-	-	-	(3,898)	2,889	-	-	(1,009)
Provisions	(995)	895	-	(501)	-	(601)	(1,493)	-	-	(2,094)
Employee benefits	(1,195)	558	-	(538)	-	(1,175)	128	-	-	(1,047)
Other items	(686)	473	-	(753)	-	(966)	543	-	-	(423)
Tax loss carry-forwards	(8,452)	3,702	-	(430)	-	(5,180)	1,292	-	-	(3,888)
	1,819	(7,439)	(204)	22,874	-	17,050	(8,776)	(204)	-	8,070
Company										
Equity raising costs	(363)	234	-	-	-	(129)	101	-	-	(28)
Other items	-	(271)	-	-	-	(271)	7	-	-	(264)
Tax loss carry-forwards	(8,452)	14,314	-	-	(10,969)	(5,107)	1,462	-	(243)	(3,888)
	(8,815)	14,277	-	-	(10,969)	(5,507)	1,570	-	(243)	(4,180)

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21. Property, plant and equipment

Consolidated

In thousands of AUD	***Note***	**Land**	**Plant and equipment**	**Leasehold improvements**	**Leased assets**	**Buildings**	**Total**
Cost							
Balance at 1 August 2007		60	150,664	1,216	1,650	-	**153,590**
Acquisitions through business combinations		-	23,926	44	-	990	**24,960**
Additions		-	17,945	6	1,095	-	**19,046**
Disposals		-	(126)	-	-	-	**(126)**
Write-downs and write-offs		-	(279)	(1,147)	(275)	-	**(1,701)**
Balance at 31 July 2008		60	192,130	119	2,470	990	**195,769**
Balance at 1 August 2008		60	192,130	119	2,470	990	**195,769**
Additions		-	25,078	-	114	-	**25,192**
Disposals		-	(460)	-	-	-	**(460)**
Effect of movements in exchange rates		-	(20)	-	-	45	**25**
Balance at 31 July 2009		60	216,728	119	2,584	1,035	**220,526**

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21. Property, plant and equipment (continued)

Consolidated

In thousands of AUD	***Note***	**Land**	**Plant and equipment**	**Leasehold improvements**	**Leased assets**	**Buildings**	**Total**
Depreciation and impairment losses							
Balance at 1 August 2007		-	32,141	557	108	-	**32,806**
Depreciation charge for the year		-	18,375	443	852	-	**19,670**
Impairment losses		-	7,756	-	-	-	**7,756**
Disposals		-	(8)	-	-	-	**(8)**
Write-downs and write-offs		-	(847)	(927)	(275)	-	**(2,049)**
Balance at 31 July 2008		-	57,417	73	685	-	**58,175**
Balance at 1 August 2008		-	57,417	73	685	-	**58,175**
Depreciation charge for the year		-	26,918	5	221	49	**27,193**
Disposals		-	(184)	-	-	-	**(184)**
Effect of movements in exchange rates		-	(58)	-	-	(8)	**(66)**
Balance at 31 July 2009		-	84,093	78	906	41	**85,118**
Carrying amounts							
At 1 August 2007		60	118,523	659	1,542	-	**120,784**
At 31 July 2008		60	134,713	46	1,785	990	**137,594**
At 1 August 2008		60	134,713	46	1,785	990	**137,594**
At 31 July 2009		60	132,635	41	1,678	994	**135,408**

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21. Property, plant and equipment (continued)

Leased plant and equipment
The Consolidated Entity leases plant and equipment under a number of finance lease agreements. At the end of each of the leases the Consolidated Entity has the option to purchase the plant and equipment at a beneficial price. At 31 July 2009 the net carrying amount of leased plant and equipment was $1.678 million (2008: $1.785 million). The leased plant and equipment secures lease obligations (see note 24).

22. Intangible assets

Consolidated

In thousands of AUD	2009	2008
Current		
Net capitalised deferred subscriber acquisition costs		
Balance 1 August	45,824	59,856
Additions	4,003	35,970
Written-off	(26,567)	(50,002)
Balance 31 July	23,260	45,824
Amortisation		
Balance 1 August	21,104	30,645
Amortisation	20,071	32,676
Written-off	(25,230)	(42,217)
Balance 31 July	15,945	21,104
Carrying amounts		
At 1 August	24,720	29,211
At 31 July	7,315	24,720

22. Intangible assets (continued)

Consolidated

In thousands of AUD **Non-current**	Goodwill	Acquired customer bases	Trademark	Internally generated software	Indefeasible right of use of capacity	Development costs	Total
Cost							
Balance at 1 August 2007	61,497	28,341	-	-	-	1,459	91,297
Acquisitions through business combinations	174,450	84,124	20,068	7,837	26,069	-	312,548
Balance 31 July 2008	235,947	112,465	20,068	7,837	26,069	1,459	403,845
Balance 1 August 2008	235,947	112,465	20,068	7,837	26,069	1,459	403,845
Acquisitions through business combinations	(110)	-	-	-	-	-	(110)
Balance 31 July 2009	235,837	112,465	20,068	7,837	26,069	1,459	403,735
Amortisation and Impairment							
Balance at 1 August 2007	-	24,007	-	-	-	393	24,400
Amortisation for the year	-	16,858	-	522	624	352	18,356
Balance 31 July 2008	-	40,865	-	522	624	745	42,756
Balance 1 August 2008	-	40,865	-	522	624	745	42,756
Amortisation for the year	-	32,307	-	1,567	2,107	94	36,075
Balance 31 July 2009	-	73,172	-	2,089	2,731	839	78,831
Carrying amounts							
At 1 August 2007	61,497	4,334	-	-	-	1,066	66,897
At 31 July 2008	235,947	71,600	20,068	7,315	25,445	714	361,089
At 1 August 2008	235,947	71,600	20,068	7,315	25,445	714	361,089
At 31 July 2009	235,837	39,293	20,068	5,748	23,338	620	324,904

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22. Intangible assets (continued)

Amortisation

The amortisation charge is recognised in the following line items in the income statement:

	Consolidated		Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Cost of sales	20,071	32,676	-	-
Administrative expenses	36,075	18,356	-	-
	56,146	51,032	-	-

Impairment tests for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Consolidated Entity's cash generating units (CGUs). CGUs are determined according to the lowest level of groups of assets that generate largely independent cashflows. Following the acquisition of TPG Holdings Limited and its subsidiaries during the 2008 financial year and the subsequent integration of the businesses and networks, it was determined that there was now one single CGU with total goodwill in the CGU of $235,837,000 (2008: $235,947,000).

The recoverable amount of the goodwill in the CGU has been determined based on a value in use calculation.

Value in use was determined by discounting the projected future cashflows generated from the continuing use of the assets in the CGU. The cashflow projections utilised were the Board approved budgeted cashflows for the year to 31 July 2010, extrapolated based on revenue and margin growth assumptions to cover a 5 year period and incorporating a terminal value. The net projected growth rate in cashflows is 2% per annum in years 2 to 5 based on the long-term industry growth rate. In the terminal phase beyond year 5 the growth rate used was 0%. A pre-tax discount rate of 18% has been used in discounting the projected cashflows, which is based on the Company's WACC adjusted to reflect an estimate of specific risks assumed in the cashflow projections. Sensitivity analysis on these assumptions has been performed which indicated that a reasonably possible movement in the assumptions would not create an impairment.

23. Trade and other payables

	Consolidated		Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Trade creditors	36,334	60,316	208	197
Other creditors and accruals	39,663	20,601	485	1,208
	75,997	80,917	693	1,405

The Consolidated Entity's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 29.

24. Loans and borrowings

This note provides information about the contractual terms of the Consolidated Entity's interest-bearing loans and borrowings. For more information about the Consolidated Entity's exposure to interest rate and foreign currency risk, see note 29.

		Consolidated		Company	
In thousands of AUD	***Note***	**2009**	**2008**	**2009**	**2008**
Current liabilities					
Secured bank loans	*(i)*	-	9,375	-	6,000
Secured note facility	*(ii)*	-	2,000	-	-
Insurance premium funding		-	23	-	-
Finance lease liabilities		442	843	-	-
Liability under network capacity agreement	*(iii)*	8,093	10,053	-	-
Loans from controlled entities	*35*	-	-	73,392	27,665
		8,535	22,294	73,392	33,665
Non-current liabilities					
Secured bank loans	*(i)*	58,000	130,000	58,000	130,000
Finance lease liabilities		429	912	-	-
Liability under network capacity agreement	*(iii)*	-	6,717	-	-
		58,429	137,629	58,000	130,000

(i) On 22 April 2008, the Consolidated Entity entered into a secured bank loan facility to help finance the acquisition of TPG Holdings Limited. Under the facility it originally drew down $150 million, but repaid $14 million by 31 July 2008, such that the balance outstanding at that date was $136 million. The Consolidated Entity then repaid a further $78 million during the year ended 31 July 2009 such that the balance outstanding at that date was $58 million.

The bank loan facility is secured by a fixed and floating charge over all of the assets of the Consolidated Entity, excluding Chariot Pty Ltd and its subsidiaries.

Bank loans totalling $3.375 million in Chariot Pty Ltd at 31 July 2008 were repaid in full during the year ended 31 July 2009.

(ii) The secured notes totalling $2 million in Chariot Pty Ltd at 31 July 2008 were repaid in full during the year ended 31 July 2009.

(iii) Unsecured liability in respect of an agreement for the supply of network capacity (indefeasible right of use of capacity).

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24. Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Consolidated				**2009**		**2008**	
In thousands of AUD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan (3)	AUD	BBSY + margin (1)	2011 (2)	58,000	58,000	136,000	136,000
Secured bank loan	AUD	(2008: 11.9%)	-	-	-	3,375	3,375
Secured note facility	AUD	(2008: 31.2%)	-	-	-	2,000	2,000
Finance lease liabilities	AUD	6.9%	2010-2013	940	871	1,923	1,755
Liability under network capacity agreement	USD	8.7%	2010	8,261	8,093	17,827	16,770
Insurance premium funding	AUD	(2008: 10.9%)	-	-	-	24	23
				67,201	66,964	161,149	159,923

Company				**2009**		**2008**	
In thousands of AUD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan (3)	AUD	BBSY + margin (1)	2011 (2)	58,000	58,000	136,000	136,000
Loans from controlled entities	AUD	0%	-	73,392	73,392	27,665	27,665
				131,392	131,392	163,665	163,665

(1) Margin is variable and is determined quarterly according to gearing ratio.

(2) The next compulsory repayment is not until the facility expires in February 2011.

(3) During the year the Consolidated Entity breached one financial covenant for the period ended 31 October 2008 as a result of losses incurred for the year ended 31 July 2008. The breach was remedied through the lender waiving its rights in relation to this breach.

Finance lease liabilities

Finance lease liabilities of the Consolidated Entity are payable as follows:

Consolidated

In thousands of AUD	**Minimum lease payments 2009**	**Interest 2009**	**Principal 2009**	**Minimum lease payments 2008**	**Interest 2008**	**Principal 2008**
Less than one year	485	(43)	442	958	(99)	859
Between one and five years	455	(26)	429	965	(69)	896
	940	(69)	871	1,923	(168)	1,755

25. Employee benefits

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Current				
Liability for annual leave	2,289	2,544	-	-
Liability for long service leave	777	556	-	-
	3,066	3,100	-	-
Non Current				
Liability for long service leave	537	746	-	-

Share based payments

(i) Employee Share Option Plan

On 27 February 2009, the Company announced a pool of 13.5 million share options with an exercise price of $0.18 per share, based on the 60 day Volume Weighted Average Share Price ("VWAP") at that date of $0.16. On 7 July 2009, the Board approved the terms of a new Employee Share Option Plan under which these options would be granted to employees. On 8 July 2009, 10.875 million of these share options were granted to employees. All options granted on that date were immediately exerciseable with a latest exercise date of 30 June 2010. All options are to be settled by physical delivery of shares.

The fair value of services received in return for share options granted is based on the fair value of share options granted. The fair value of the options was measured using a Black Scholes model with the following inputs:

Share price at grant date	$0.38
Exercise price	$0.18
Expected volatility	66.3%
Option life	0.27 years
Expected dividends	-
Risk-free interest rate	5.5%
Fair value at grant date	$0.20484

(ii) Employee Share Scheme

The Consolidated Entity has in place an Employee Share Scheme that provides for selected employees to receive ordinary shares in the Company. Under this scheme funds are transferred to a trust which acts as an agent and purchases shares for the benefit of the selected employees. A treasury share reserve is recognised for the funds transferred to the scheme. An employee expense is recognised over the period during which the employees become unconditionally entitled to the shares with a corresponding decrease in the treasury share reserve.

Under the share scheme the employee receives the voting rights and dividend entitlement to shares purchased under the scheme, however they are unable to access the shares until they satisfy the continuity of service criteria. Shares purchased during 2009 vested immediately, whereas shares purchased under this scheme in previous years vest to the employee at 20% per annum at the end of each of the five years following the purchase, provided they continue to be employed in the Consolidated Entity. If the employee terminates their employment, they forfeit their entitlement to the unvested shares, except in limited circumstances such as medical reasons, bona fide retirement or termination other than for gross misconduct.

During the year $400,388 (2008: $458,126) was paid into the employee share scheme for the purchase of shares. Shares were purchased for the benefit of 43 (2008: 20) employees using $212,160 of these funds and the balance of unused funds was repaid to the Company after the year-end. During the year ended 31 July 2009, $219,507 (2008: $252,640) was recognised as an employee benefit expense.

26. Provisions

In thousands of AUD

Consolidated	Make good costs	Customer loyalty program	Lease increment	Other	Total
Balance 1 August 2008	595	100	156	132	983
Provisions made during the year	2,414	-	-	-	2,414
Provisions used during the year	-	(100)	(36)	(132)	(268)
Balance 31 July 2009	3,009	-	120	-	3,129
Current	936	-	-	-	936
Non-current	2,073	-	120	-	2,193
	3,009	-	120	-	3,129

Company

There were no provisions in the Company at 31 July 2009 (2008: $nil).

Make good costs

The make good costs provision relates to the Consolidated Entity's estimated costs to make good leased premises. The provision is based on the estimated cost per leased site using historical costs for sites made good previously.

Customer loyalty program

The customer loyalty provision is for the expected settlement costs of loyalty program obligations.

Lease increment

Where the Consolidated Entity has contracted lease agreements that contain incremental lease payments over the term of the lease a provision is recognised for the increased lease payments so that lease expenditure is recognised on a straight line basis over the lease term.

SP Telemedia Limited and its controlled entities
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27. Deferred income and other liabilities

In thousands of AUD	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Current liabilities				
Unearned revenue	25,046	32,104	-	-
Accrued interest	96	355	96	355
Other	229	-	229	-
	25,371	32,459	325	355
Non-current liabilities				
Unearned revenue	7,869	8,214	-	-

SP Telemedia Limited and its controlled entities
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28. Capital and reserves

Consolidated

In thousands of AUD	Share capital	Foreign currency reserve	Share option reserve	Treasury share reserve	Revaluation reserve	Minority interest acquisition reserve	Retained earnings	Total	Minority interest	Total equity
Balance at 1 August 2007	272,837	26	440	-	1,389	(52,482)	10,292	232,502	-	232,502
Total recognised income and expense	-	(156)	-	-	-	-	(18,783)	(18,939)	(150)	(19,089)
Minority interest on acquisition of Chariot Limited	-	-	-	-	-	-	-	-	(1,124)	(1,124)
Transfer between reserves	-	-	(440)	-	(474)	-	914	-	-	-
Movement in treasury share reserve	-	-	-	(204)	-	-	-	(204)	-	(204)
Acquisition of minority interest	-	-	-	-	-	(3,977)	-	(3,977)	1,274	(2,703)
Issue of ordinary shares	111,980	-	-	-	-	-	-	111,980	-	111,980
Transaction costs	(124)	-	-	-	-	-	-	(124)	-	(124)
Dividends to equity holders	-	-	-	-	-	-	(14,588)	(14,588)	-	(14,588)
Balance at 31 July 2008	**384,693**	**(130)**	**-**	**(204)**	**915**	**(56,459)**	**(22,165)**	**306,650**	**-**	**306,650**
Balance at 1 August 2008	384,693	(130)	-	(204)	915	(56,459)	(22,165)	306,650	-	306,650
Total recognised income and expense	-	207	-	-	-	-	17,661	17,868	-	17,868
Transfers between reserves	-	-	-	-	(476)	-	476	-	-	-
Movement in share option reserve	-	-	2,227	-	-	-	-	2,227	-	2,227
Movement in treasury share reserve	-	-	-	(181)	-	-	-	(181)	-	(181)
Acquisition of minority interest	-	-	-	-	-	22	-	22	-	22
Transaction costs	(17)	-	-	-	-	-	-	(17)	-	(17)
Dividends to equity holders	5,071	-	-	-	-	-	(6,842)	(1,771)	-	(1,771)
Balance at 31 July 2009	**389,747**	**77**	**2,227**	**(385)**	**439**	**(56,437)**	**(10,870)**	**324,798**	**-**	**324,798**

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
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28. Capital and reserves (continued)

Reconciliation of movement in capital and reserves

Company

In thousands of AUD	*Note*	Share capital	Share option reserve	Treasury share reserve	Retained earnings	Total equity
Balance at 1 August 2007		272,837	-	-	46,318	319,155
Total recognised income and expense		-	-	-	(7,065)	(7,065)
Movement in treasury share reserve		-	-	(204)	-	(204)
Issue of ordinary shares		111,980	-	-	-	111,980
Transaction costs		(124)	-	-	-	(124)
Dividends to equity holders		-	-	-	(14,588)	(14,588)
Balance at 31 July 2008		384,693	-	(204)	24,665	409,154
Balance at 1 August 2008		384,693	-	(204)	24,665	409,154
Total recognised income and expense		-	-	-	(474)	(474)
Movement in share option reserve		-	2,227	-	-	2,227
Movement in treasury share reserve		-	-	(181)	-	(181)
Transaction costs		(17)	-	-	-	(17)
Dividends to equity holders		5,071	-	-	(6,842)	(1,771)
Balance at 31 July 2009		389,747	2,227	(385)	17,349	408,938

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28. Capital and reserves (continued)

Share capital

	Company Ordinary shares 2009	2008
On issue at 1 August	684,200,230	405,208,684
Ordinary shares issued under the Dividend Reinvestment Plan	19,400,744	-
Ordinary shares issued as part consideration for purchase of 100% of TPG Holdings Limited	-	270,000,003
Ordinary shares issued as consideration for purchase of minority interest of Chariot Limited	-	8,991,543
On issue at 31 July	703,600,974	684,200,230

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Revaluation reserve

The revaluation reserve relates to the value of contracted customers that was recognised on the consolidation of SPT Telecommunications Pty Ltd. This entity was previously equity accounted and the amount recognised in the reserve reflects 50% of the increment in value of contracted customers.

Treasury share reserve

The treasury share reserve represents the value of shares held by an equity compensation plan that the Consolidated Entity is required to include in the consolidated financial statements. This reserve will be reversed against share capital when the underlying shares vest in the employee. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Consolidated Entity's own equity instruments.

Share option reserve

The share option reserve is used to recognise the fair value of options issued but not exercised.

Minority interest acquisition reserve

The minority interest acquisition reserve represents the surplus of the acquisition price over the minority interest acquired. Refer to note 7 for details regarding the acquisition of the minority interest in Chariot Limited (2008 financial year).

28. Capital and reserves (continued)

Dividends

Dividends recognised in the current year by the Company are:

In thousands of AUD	Cents per share	Total amount	Franked / unfranked	Date of payment
2009				
Interim 2009 ordinary (special)	1.0	6,842	Franked	27 May 2009
Total amount		6,842		
2008				
Interim 2008 ordinary (special)	2.4	9,725	Franked	22 May 2008
Final 2007 ordinary	1.2	4,863	Franked	15 November 2007
Total amount		14,588		

Franked dividends declared or paid during the year were fully franked at the tax rate of 30%.

The directors have declared a fully franked final FY09 dividend of 1 cent per share. The dividend has a record date of 21 October 2009 and will be paid on 18 November 2009.

	Company	
	2009	2008
Dividend franking account		
In thousands of AUD		
30 per cent franking credits available to shareholders of SP Telemedia Limited for subsequent financial years	34,774	12,060

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

(a) franking credits that will arise from the payment of the current tax liabilities;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
(c) franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year-end; and
(d) franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability is to reduce it by $3,015,433 (2008: $nil). In accordance with the tax consolidation legislation, the Company as the head entity in the tax-consolidated group has also assumed the benefit of $34.774 million (2008: $12.060 million) franking credits.

29. Financial instruments

Exposure to credit, liquidity and market risks arise in the normal course of the Company's and Consolidated Entity's activities. The Consolidated Entity's risk management policies are addressed at note 5.

Credit risk

Exposure to credit risk

The carrying amount of the Consolidated Entity's financial assets represents the maximum credit exposure. The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

		Carrying amount			
		Consolidated		Company	
In thousands of AUD	***Note***	**2009**	**2008**	**2009**	**2008**
Current assets					
Trade and other receivables	*15*	30,282	64,483	22	98
Cash and cash equivalents	*14*	17,179	14,053	109	107
Non-current					
Receivables *	*15*	-	2,804	80,995	103,460
		47,461	81,340	81,126	103,665

* The amount outstanding at 31 July 2009 and at 31 July 2008 for the Company fully relates to amounts owed from subsidiaries.

The Consolidated Entity's maximum exposure to credit risk for trade receivables at the reporting date by customer was:

		Carrying amount			
		Consolidated		Company	
In thousands of AUD	***Note***	**2009**	**2008**	**2009**	**2008**
Type of customer					
Government		4,788	6,397	-	-
Corporate		3,947	9,393	-	-
Wholesale		3,352	7,526	-	-
Retail		8,402	50,547	-	-
	15	20,489	73,863	-	-

Approximately 41% of the Consolidated Entity's trade receivables are attributable to retail customers (2008: 68%). The Consolidated Entity minimises concentrations of credit risk by undertaking transactions with a large number of customers.

By industry, the Consolidated Entity is not subject to a concentration of credit risk as its customers operate in a wide range of industries.

SP Telemedia Limited and its controlled entities
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29. Financial instruments (continued)

Credit risk (continued)
Exposure to credit risk (continued)

The Consolidated Entity's maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

		Carrying amount			
		Consolidated		Company	
In thousands of AUD	***Note***	**2009**	**2008**	**2009**	**2008**
Geographical region					
Australia		20,042	73,057	-	-
New Zealand		174	143	-	-
United States		10	172	-	-
Other		263	491	-	-
	15	20,489	73,863	-	-

Geographically, the Consolidated Entity is subject to a concentration of credit risk as predominantly all of its revenue is attributable to Australia.

Provision for Impairment losses

The aging of the Consolidated Entity's trade receivables at the reporting date was:

		Carrying amount			
		Consolidated		Company	
In thousands of AUD	***Note***	**2009**	**2008**	**2009**	**2008**
Aging of customer					
Not past due		8,861	27,715	-	-
Past due 0-30 days		3,428	17,181	-	-
Past due 31-60 days		1,420	10,290	-	-
Past due 61-90 days		1,630	5,512	-	-
Past due 91-120 days		430	4,218	-	-
Past due 121 days		4,720	8,947	-	-
Gross trade receivables	*15*	20,489	73,863	-	-
Less: Provision for impairment losses	*15*	(7,819)	(23,844)	-	-
Net trade receivables		12,670	50,019	-	-

The provision for impairment losses of the Consolidated Entity at 31 July 2009 of $7.819 million (2008: $23.844 million) represents the risk of non-collection of outstanding debts that are past due and believed to be at risk. The allowance is used to record impairment losses unless the Consolidated Entity is satisfied that no recovery of the amount owing is possible. At this point the amount is considered irrecoverable and is written off against the financial asset directly.

Based on historic default rates, the Consolidated Entity believes that no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days.

SP Telemedia Limited and its controlled entities
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29. Financial instruments (continued)

Liquidity risk
The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated

31 July 2009 *In thousands of AUD*	*Note*	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans		58,000	(62,914)	(1,575)	(1,575)	(59,764)	-	-
Finance lease liabilities		871	(940)	(341)	(144)	(289)	(166)	-
Liability under network capacity agreement		8,093	(8,261)	(6,196)	(2,065)	-	-	-
Trade and other payables		75,997	(75,997)	(75,997)	-	-	-	-
		142,961	(148,112)	(84,109)	(3,784)	(60,053)	(166)	-

31 July 2008 *In thousands of AUD*	*Note*	Carrying amount	Contractual cash flows	6 months or less	6-12 Months	1-2 years	2-5 years	More than 5 years
Secured bank loans		139,375	(168,631)	(5,961)	(11,897)	(31,869)	(118,904)	-
Secured notes		2,000	(2,312)	(2,312)	-	-	-	-
Finance lease liabilities		1,755	(1,923)	(480)	(478)	(827)	(138)	-
Liability under network capacity agreement		16,770	(17,827)	(5,348)	(5,348)	(7,131)	-	-
Insurance premium funding		23	(24)	(24)	-	-	-	-
Trade and other payables		80,917	(80,917)	(80,917)	-	-	-	-
		240,840	(271,634)	(95,042)	(17,723)	(39,827)	(119,042)	-

Company

31 July 2009 *In thousands of AUD*	*Note*	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans		58,000	(62,914)	(1,575)	(1,575)	(59,764)	-	-
Trade and other payables		693	(693)	(693)	-	-	-	-
		58,693	(63,607)	(2,268)	(1,575)	(59,764)	-	-

31 July 2008 *In thousands of AUD*	*Note*	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Secured bank loans		136,000	(164,084)	(5,760)	(11,696)	(31,467)	(115,161)	-
Trade and other payables		1,405	(1,405)	(1,405)	-	-	-	-
		137,405	(165,489)	(7,165)	(11,696)	(31,467)	(115,161)	-

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29. Financial instruments (continued)

Market risk

Currency risk
Exposure to currency risk
The Consolidated Entity is exposed to foreign currency risk on revenues, expenses and financial instruments that are denominated in a currency other than AUD. The Consolidated Entity's exposure to foreign currency risk at balance date was as follows:

Consolidated	AUD equivalent	NZD	USD	PP	AUD equivalent	NZD	USD	PP
In thousand of AUD	31 July 2009				31 July 2008			
Trade receivables	455	204	240	-	676	177	513	-
Other financial assets	13,292	117	10,567	12,287	654	553	5	9,540
Trade payables	(1,838)	(77)	(1,457)	-	(3,710)	(55)	(3,366)	(5,324)
Other financial liabilities	(8,093)	-	(6,636)	-	(16,770)	-	(15,932)	-
Gross balance sheet exposure	3,816	244	2,714	12,287	(19,150)	675	(18,780)	4,216

In addition to the above, the Consolidated Entity has operating lease commitments denominated in USD (refer note 30).

Company
The Company had no exposure to foreign currency risk at 31 July 2009 (2008: $nil).

The following significant exchange rates applied during the year:

In AUD	Average rate		Reporting date spot rate	
	2009	2008	2009	2008
NZD	1.23	1.19	1.26	1.30
USD	0.73	0.91	0.82	0.95
PP	35.05	39.84	39.38	42.59

Sensitivity analysis
A 10 percent strengthening of the Australian dollar against the following currencies at 31 July would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
In thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
31 July 2009				
NZD	(18)	-	-	-
USD	(301)	(301)	-	-
PP	(28)	-	-	-
31 July 2008				
NZD	(47)	-	-	-
USD	1,797	1,797	-	-
PP	(9)	-	-	-

A 10 percent weakening of the Australian dollar against the above currencies at 31 July would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

SP Telemedia Limited and its controlled entities
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29. Financial instruments (continued)

Market risk (continued)

Interest rate risk
Profile
At the reporting date the interest rate profile of the Company's and the Consolidated Entity's interest-bearing financial instruments was:

		Consolidated		Company	
		Carrying amount		Carrying amount	
In thousands of AUD	*Note*	2009	2008	2009	2008
Fixed rate instruments					
Financial assets		-	-	-	-
Financial liabilities		(8,964)	(18,548)	-	-
		(8,964)	(18,548)	-	-
Variable rate instruments					
Financial assets		17,179	14,053	109	107
Financial liabilities		(58,000)	(141,375)	(58,000)	(136,000)
		(40,821)	(127,322)	(57,891)	(135,893)

Fair value sensitivity analysis for fixed rate instruments
The Consolidated Entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the Consolidated Entity's equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated Entity				Company			
	Profit or loss		Equity		Profit or loss		Equity	
In thousands of AUD	100bp increase	100bp decrease	100bp increase	100bp decrease	100bp increase	100bp decrease	100bp increase	100bp decrease
31 July 2009								
Variable rate instruments	(409)	409	(409)	409	(579)	579	(579)	579
Cash flow sensitivity	(409)	409	(409)	409	(579)	579	(579)	579
31 July 2008								
Variable rate instruments	(1,067)	1,067	(1,067)	1,067	(1,162)	1,162	(1,162)	1,162
Cash flow sensitivity	(1,067)	1,067	(1,067)	1,067	(1,162)	1,162	(1,162)	1,162

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29. Financial instruments (continued)

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	31 July 2009		31 July 2008	
In thousands of AUD	Carrying amount	Fair value	Carrying amount	Fair value
Trade debtors and other receivables	30,282	30,282	67,287	67,287
Cash and cash equivalents	17,179	17,179	14,053	14,053
Secured bank loans	(58,000)	(58,000)	(139,375)	(139,375)
Secured notes	-	-	(2,000)	(2,000)
Insurance premium funding	-	-	(23)	(23)
Finance lease liabilities	(871)	(871)	(1,755)	(1,755)
Trade and other payables	(75,997)	(75,997)	(80,917)	(80,917)
	(87,407)	(87,407)	(142,730)	(142,730)

Company	31 July 2009		31 July 2008	
In thousands of AUD	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	80,995	80,995	103,558	103,558
Cash and cash equivalents	109	109	107	107
Secured bank loans	(58,000)	(58,000)	(136,000)	(136,000)
Trade and other payables	(693)	(693)	(1,405)	(1,405)
	(22,411)	(22,411)	(33,740)	(33,740)

The basis for determining the fair values of financial assets and liabilities is disclosed in note 4.

30. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Less than one year	22,121	18,423	-	-
Between one and five years	79,331	41,655	-	-
More than five years	533	912	-	-
	101,985	60,990	-	-

These operating lease commitments include $94.784 million denominated in USD (2008: $47.648 million).

31. Capital and other commitments

	Consolidated		Company	
In thousands of AUD	2009	2008	2009	2008
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Within one year	3,648	6,983	-	-
One year or later and no later than five years	-	44	-	-
	3,648	7,027	-	-

32. Contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future economic sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Guarantees

Under the terms of a Deed of Cross Guarantee (refer note 37) the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries.

Litigation

The Company (or its subsidiaries) are parties to various legal cases which have arisen in the ordinary course of the business of the company.

The directors have provided for costs and settlement of certain cases where such amounts can be reliably estimated. In the opinion of directors, the likelihood of significant cash outflows relating to other cases is considered remote.

In the opinion of directors, disclosure of further information about these legal cases would be prejudicial to the interests of the company.

SP Telemedia Limited and its controlled entities
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33. Consolidated entities

The following is a list of all entities that form part of the Consolidated Entity at 31 July 2009:

	Country of Incorporation	Ownership interest (%)	
		2009	2008
Parent entity			
SP Telemedia Limited	Australia		
Subsidiaries			
TPG Holdings Pty Ltd	Australia	100	100
TPG Internet Pty Ltd	Australia	100	100
Value Added Network Pty Ltd	Australia	100	100
TPG Network Pty Ltd	Australia	100	100
TPG Research Pty Ltd	Australia	100	100
TPG Broadband Pty Ltd	Australia	100	100
TPG (NZ) Pty Ltd	New Zealand	100	100
Orchid Cybertech Services Incorporated	Philippines	99.99	99.99
Orchid Human Resources Pty Ltd	Australia	100	100
Chariot Pty Ltd	Australia	100	100
Soul Pattinson Telecommunications Pty Ltd	Australia	100	100
SPT Telecommunications Pty Ltd	Australia	100	100
SPTCom Pty Ltd	Australia	100	100
Kooee Communications Pty Ltd	Australia	100	100
Kooee Pty Ltd	Australia	100	100
Kooee Mobile Pty Ltd	Australia	100	100
Soul Communications Pty Ltd	Australia	100	100
Soul Contracts Pty Ltd	Australia	100	100
Digiplus Investments Pty Ltd	Australia	100	100
Digiplus Holdings Pty Ltd	Australia	100	100
Digiplus Pty Ltd	Australia	100	100
Digiplus Limited	New Zealand	100	100
Codex Limited	New Zealand	100	100
Digiplus Contracts Pty Ltd	Australia	100	100
Blue Call Pty Ltd	Australia	100	100

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
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34. Reconciliation of cash flows from operating activities

	Consolidated		Company	
In thousands of AUD	**2009**	**2008**	**2009**	**2008**
Cash flows from operating activities				
Profit/(loss) for the year after income tax	17,661	(18,933)	(474)	(7,065)
Adjustments for:				
Depreciation of plant and equipment	27,193	19,670	-	-
Impairment of plant and equipment	-	7,756	-	-
Amortisation of intangibles	56,146	51,032	-	-
Impairment of intangibles	2,196	7,453	-	-
Bad and doubtful debts	3,438	23,420	-	-
Prepaid advertising written-off	2,000	2,000	2,000	2,000
Borrowing costs written-off	493	534	466	534
Employee share plan expense	219	254	219	254
Employee share option plan expense	2,228	-	2,228	-
Unrealised foreign exchange loss/(gain)	929	(259)	-	-
Interest income	(1,342)	(4,622)	(12)	(2,389)
Interest expense	9,791	6,484	8,033	5,475
Net loss/(gain) on sale on non-current assets	219	(87)	-	-
Income tax expense/(benefit)	8,662	(4,731)	612	(92)
Operating profit before changes in working capital and provisions	129,833	89,971	13,072	(1,283)
Changes in operating assets and liabilities adjusted for effects from purchase of controlled entities during the financial year:				
(Increase)/decrease in trade and other receivables	34,597	(20,131)	76	(44)
(Increase)/decrease in inventories	428	2,082	-	-
(Increase)/decrease in other assets	5,308	(2,448)	(14,869)	9
(Increase)/decrease in intangible assets	(4,863)	(27,443)	-	-
(Decrease)/increase in trade and other payables	(4,872)	(1,070)	(253)	113
(Decrease)/increase in other liabilities	(7,482)	(4,138)	-	-
(Decrease)/increase in employee benefits	(244)	(1,730)	-	-
(Decrease)/Increase in provisions	121	1,683	-	-
	152,826	36,776	(1,974)	(1,205)
Interest paid	(9,920)	(5,876)	(8,292)	(5,096)
Income taxes paid	(19,104)	(17,268)	(872)	(12,805)
Interest received	773	3,438	11	2,394
Net cash from operating activities	124,575	17,070	(11,127)	(16,712)

35. Related parties

The following were key management personnel of the Consolidated Entity at any time during the reporting period and, unless otherwise indicated, were key management personnel for the entire period:

Executive directors

Mr David Teoh
Chairman

Mr Alan Latimer

Non-executive directors

Mr Robert Millner
former Chairman

Mr Denis Ledbury

Mr Joseph Pang

Executives

Mr Witold Piestrzynski
Chief Operating Officer

Mr Stephen Banfield
Chief Financial Officer and Company Secretary

Ms Mandie De Ville
Chief Information Officer

Mr Craig Levy *General Manager – Mobile Products & Consumer Sales*	recognised in key management personnel from 1 August 2008
Mr John Paine *National Technical and Strategy Manager*	recognised in key management personnel from 1 August 2008
Mr Stuart McCullough *National General Manager, Sales*	appointed 26 August 2008

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2009

35. Related parties (continued)

Key management personnel compensation

The key management personnel compensation included in employee benefits (see note 25) is as follows:

	Consolidated		Company	
In AUD	**2009**	**2008**	**2009**	**2008**
Short-term employee benefits	1,742,293	2,076,015	557,111	361,778
Post-employment benefits	445,803	533,639	255,505	117,820
Other long term benefits	30,775	731,727	12,492	-
Termination benefits	-	523,245	-	-
Equity compensation benefits	623,123	80,782	-	-
	2,841,994	3,945,408	825,108	479,598

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation is provided in the Remuneration Report section of the Directors' report on pages 12 to 17.

During the year the Consolidated Entity rented office premises from companies related to a director of the Company, Mr D Teoh. The total rent charged for the financial year 2009 was $100,920 (2008: $28,600).

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Consolidated Entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Loans to key management personnel and their related parties (consolidated)

There were no loans in existence between the Consolidated Entity and any key management personnel or their related parties at any time during or since the financial year.

Other key management personnel transactions with the Company or its controlled entities

From time to time, key management personnel of the Company or its controlled entities, or their related entities, may purchase goods from the Consolidated Entity. These purchases are on the same terms and conditions as those entered into by other Consolidated Entity employees or customers and are trivial or domestic in nature.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2009

35. Related parties (continued)

Options and rights over equity instruments

The movement during the 2009 financial year in the number of options over ordinary shares in SP Telemedia Limited held directly, indirectly or beneficially, by each key management person, including their related parties, is as as follows:

	Held at 1 August 2008	Granted as compensation	Exercised	Expired	Held at 31 July 2009	Vested during the year	Vested and exercisable at 31 July 2009
Executives							
Mr V Piestrzynski	-	1,000,000	1,000,000	-	-	1,000,000	-
Mr J Paine	-	700,000	-	-	700,000	700,000	700,000
Mr C Levy	-	500,000	-	-	500,000	500,000	500,000
Mr S Banfield	-	500,000	-	-	500,000	500,000	500,000
Mr S McCullough	-	150,000	-	-	150,000	150,000	150,000
Ms M De Ville	-	100,000	-	-	100,000	100,000	100,000

There were no options outstanding, nor any new options granted during the comparative 2008 financial year.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2009

35. Related parties (continued)

Movements in shares

Shares in SP Telemedia Limited	Held at 1 August 2008	Purchases	Granted as remuneration	Received under Dividend Reinvestment Plan	Held at 31 July 2009
Directors					
Mr D Teoh	261,172,492	2,219,626	-	9,991,297	273,383,415
Mr R Millner	3,195,784	2,300,000	-	208,332	5,704,116
Mr D Ledbury	178,223	122,000	-	11,486	311,709
Mr A Latimer	1,174,102	100,000	-	48,742	1,322,844
Mr J Pang	-	-	-	-	-
Executives					
Mr W Piestrzynski	2,303,352	-	-	-	2,303,352
Mr S Banfield	4,374	-	19,994	-	24,368
Ms M De Ville	2,676	-	6,280	-	8,956
Mr C Levy	10,593	88,000	18,113	-	116,706
Mr J Paine	2,600,000	400,000	-	114,767	3,114,767
Mr S McCullough	-	90,000	-	3,060	93,060

Shares in SP Telemedia Limited	Held at 1 August 2007	Purchases	Granted as remuneration	Received as consideration for sale of shares in TPG Holdings Pty Ltd	Held at 31 July 2008
Directors					
Mr D Teoh	-	-	-	261,172,492	261,172,492
Mr R Millner	2,695,784	500,000	-	-	3,195,784
Mr D Ledbury	178,223	-	-	-	178,223
Mr A Latimer	-	-	-	1,174,102	1,174,102
Mr J Pang	-	-	-	-	-
Executives					
Mr W Piestrzynski	-	390,000	-	1,913,352	2,303,352
Mr S Banfield	-	-	4,374	-	4,374
Ms M De Ville	-	-	2,676	-	2,676

35. Related parties (continued)

Identity of related parties

The Consolidated Entity has a related party relationship with its subsidiaries (see note 33) and with its key management personnel.

Other related party transactions

Subsidiaries

Loans are made by the Company to wholly owned subsidiaries and received from wholly owned subsidiaries.

During the 2009 financial year, the Company received $4,718,854 from one of its subsidiaries, Soul Pattinson Telecommunications Pty Ltd, as part repayment of an existing loan. During the 2008 financial year, $7,567,949 was received from Soul Pattinson Telecommunications Pty Ltd. Interest is not charged on the loan and there is no fixed date for the loan to be repaid. At 31 July 2009, the amount owed to the Company was $80,595,862 (2008: $85,314,716).

During the 2009 financial year, the Company received $8,245,880 from one of its subsidiaries, SPTCom Pty Ltd, as repayment of an existing loan. During the 2008 financial year, $6,867,280 was loaned to SPTCom Pty Ltd. Interest was not charged on the loan during the year and the loan was repaid in full during the 2009 financial year. At 31 July 2009, the amount owed to the Company was $nil (2008: $8,245,880).

During the 2009 financial year, the Company received $9,897,855 from one of its subsidiaries, SPT Telecommunications Pty Ltd, as repayment of an existing loan. During the 2008 financial year, the Company received $123,638 from SPT Telecommunications Pty Ltd. Interest was not charged on the loan during the year and the loan was repaid in full during the 2009 financial year. At 31 July 2009, the amount owed to the Company was $nil (2008: $9,897,855).

During the 2009 financial year, the Company was loaned $16,140,142 from one of its subsidiaries, Soul Communications Pty Ltd, increasing the amount payable of an existing loan. During the 2008 financial year, $3,759,929 was received from Soul Communications Pty Ltd. Interest is not charged on the loan and there is no fixed date for the loan to be repaid. At 31 July 2009, the amount owed by the Company was $25,696,867 (2008: $9,556,725).

During the 2009 financial year, the Company was loaned $27,368,384 from one of its subsidiaries, TPG Holdings Pty Ltd, increasing the amount payable of an existing loan. During the 2008 financial year, the Company was loaned $20,326,843 by TPG Holdings Pty Ltd. Interest is not charged on the loan and there is no fixed date for the loan to be repaid. At 31 July 2009, the amount owed by the Company was $47,695,227 (2008: $20,326,843).

During the 2009 financial year, the Company loaned $397,525 to one of its subsidiaries, Chariot Pty Ltd (2008: $nil). At the 31 July 2009, the amount owed to the Company was $397,525 (2008: $nil).

36. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

37. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The Deed of Cross Guarantee was entered into on 25 June 2008.

The subsidiaries subject to the Deed are:

Soul Communications Pty Ltd
Digiplus Investments Pty Ltd
Soul Contracts Pty Ltd
Kooee Communications Pty Ltd
SPTCom Pty Ltd
Kooee Pty Ltd
Digiplus Holdings Pty Ltd
Digiplus Pty Ltd
Digiplus Contracts Pty Ltd
Blue Call Pty Ltd
Soul Pattinson Telecommunications Pty Ltd
Kooee Mobile Pty Ltd
SPT Telecommunications Pty Ltd
TPG Holdings Pty Ltd
TPG Internet Pty Ltd
Value Added Network Pty Ltd
Orchid Human Resources Pty Ltd
TPG Broadband Pty Ltd
TPG Network Pty Ltd
TPG Research Pty Ltd
TPG (NZ) Pty Ltd
Digiplus Limited (NZ)
Codex Limited (NZ)
Chariot Pty Ltd

There is only one of the Company's subsidiaries (Orchid Cybertech Services Incorporated) that is not party to the Deed of Cross Guarantee. As a consequence, a separate consolidated income statement and balance sheet comprising the Company and only those controlled entities which are a party to the Deed are not provided because of the immaterial difference between what would be shown and the Consolidated income statement and balance sheet shown on pages 23 & 25 respectively.

SP Telemedia Limited and its controlled entities
Directors' declaration
For the year ended 31 July 2009

1. In the opinion of the directors of SP Telemedia Limited ('the Company'):

   (a) the financial statements and notes set out on pages 23 to 86 and the Remuneration report in section 5.1 of the Directors' report, set out on pages 3 to 22, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company and the Consolidated Entity as at 31 July 2009 and of their performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a); and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the consolidated entities identified in Note 37 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those consolidated entities pursuant to ASIC Class Order 98/1418.

3. The directors have been given the declarations from the chief executive officer and chief financial officer for the financial year ended 31 July 2009 required by Section 295A of the *Corporations Act 2001*.

Dated at Sydney this 15th day of October, 2009.

Signed in accordance with a resolution of the directors:

David Teoh
Chairman

Independent auditor's report to the members of SP Telemedia Limited

Report on the financial report

We have audited the accompanying financial report of SP Telemedia Limited (the Company), which comprises the balance sheets as at 31 July 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 37 and the directors' declaration set out on page 87 of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Consolidated entity's financial position and of their performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of SP Telemedia Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 31 July 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 31 July 2009. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of SP Telemedia Limited for the year ended 31 July 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Leighton
Partner
Sydney

15 October 2009

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of SP Telemedia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 July 2009 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kevin Leighton
Partner
Sydney

15 October 2009

SP Telemedia Limited and its controlled entities
ASX additional information
For the year ended 31 July 2009

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Shareholdings (as at 7 October 2009)

Substantial shareholders
The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	Number of ordinary shares held	% of capital held
David Teoh and Vicky Teoh	273,383,415	38.60
Washington H Soul Pattinson and Company Limited	199,988,286	28.24

Voting rights
Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Distribution of equity security holders

	Number of Equity Security Holders
Category	Ordinary shares
1 - 1,000	752
1,001 - 5,000	1,301
5,001 - 10,000	779
10,000 - 100,000	1,429
100,000 and over	190
	4,451

The number of shareholders holding less than a marketable parcel of ordinary shares is 333.

Stock exchange
The Company is listed on the Australian Stock Exchange. The home exchange is Sydney and ASX code is SOT.

Other information
SP Telemedia Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

SP Telemedia Limited and its controlled entities

ASX additional information (continued)

For the year ended 31 July 2009

Twenty largest shareholders

Name of shareholder	Number of ordinary shares held	Percentage of capital held
Washington H Soul Pattinson and Company Limited	199,988,286	28.24
Mr David Teoh	135,627,043	19.15
Mrs Vicky Teoh	135,536,746	19.14
National Nominees Limited	24,175,533	3.41
WIN Corporation Pty Ltd	21,530,923	3.04
J P Morgan Nominees Australia Limited	14,189,834	2.00
RBC Dexia Investor Services Australia Nominees Pty Ltd	13,736,153	1.94
Farjoy Pty Ltd	9,900,000	1.40
HSBC Custody Nominees (Australia) Pty Ltd	6,513,182	0.92
JS Millner Holdings Pty Ltd	5,353,424	0.76
Mr John Eric Paine	3,814,767	0.54
Brickworks Investment Company Limited	3,789,436	0.54
ANZ Nominees Limited	3,758,535	0.53
Ms Seng Bee Teoh and Mr Sin Mong Wong	3,498,166	0.49
Mr Witold Maciej Piestrzynski	3,303,352	0.47
Cogent Nominees Pty Ltd	3,155,717	0.45
Citicorp Nominees Pty Ltd	3,133,359	0.44
Gwynvill Trading Pty Ltd	2,500,000	0.35
Mr Kok Yeong Moey	2,350,787	0.33
Total Peripherals Pty Ltd	2,219,626	0.31
	598,074,869	**84.45**

Principal Registered Office

65 Waterloo Road
North Ryde NSW 2113

Telephone: 02 9850 0800

Location of Share Registry

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 2000

Telephone: 02 8234 5000

SP Telemedia Limited ABN 46 093 058 069