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

Annual Report
31 July 2008

SP Telemedia Limited and its controlled entities
Contents
For the year ended 31 July 2008

	Page
• Directors' report (including corporate governance statement and remuneration report)	3
• Income statements	23
• Statements of recognised income and expense	24
• Balance sheets	25
• Statements of cash flows	26
• Index to notes to the consolidated financial statements	27
• Notes to the consolidated financial statements	28
• Directors' declaration	91
• Audit report	92
• Lead auditor's independence declaration	94
• ASX additional information	95

SP Telemedia Limited and its controlled entities
Directors' report
For the year ended 31 July 2008

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 2008 and the auditor's report thereon.

Contents of directors' report

		Page
1.	**Directors**	4
2.	**Company Secretary**	6
3.	**Directors' meetings**	6
4.	**Subsidiary name changes**	6
5.	**Corporate governance statement**	7
	Principle 1 - Lay solid foundations and oversight	7
	Principle 2 - Structure the Board to add value	7
	Principle 3 - Promote ethical and responsible decision-making	9
	Principle 4 - Safeguarding integrity in financial reporting	10
	Principle 5 - Make timely and balanced disclosure	11
	Principle 6 - Respect the rights of shareholders	11
	Principle 7 - Recognise and manage risk	12
	Principle 8 - Remunerate fairly and responsibly	12
5.1	Remuneration report - audited	13
5.1.1	Principles of compensation	13
5.1.2	Directors' and executive officers' remuneration	15
5.1.3	Analysis of bonuses included in remuneration	17
5.1.4	Equity instruments	18
5.1.4.1	Shares, options and rights over equity instruments granted as compensation	18
5.1.4.2	Modification of terms of equity-settled share-based payment transactions	18
5.1.4.3	Exercise of options granted as compensation	18
5.1.4.4	Analysis of options and rights over equity instruments granted as compensation	18
6.	**Principal activities**	18
7.	**Operating and financial review**	19
8.	**Dividends**	20
9.	**Events subsequent to reporting date**	20
10.	**Likely developments**	20
11.	**Directors' interests**	20
12.	**Share options**	21
13.	**Indemnification and insurance of officers and auditors**	21
14.	**Non-audit services**	21
15.	**Lead auditor's independence declaration**	22
16.	**Rounding off**	22

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2008

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	53	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 (appointed 7 April 2008-current), TPG Holdings Pty Ltd (1986-current).
Robert D Millner Non-Executive Director F.A.I.C.D.	57	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), KH Foods Ltd (1994-2004). Former Chairman, resigned position on 7 April 2008. Member of Audit Committee.
Denis Ledbury Independent Non-Executive Director B.Bus. A.I.C.D.	58	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 and Remuneration Committees.
Alan J Latimer Executive Director B.Com CA G.A.I.C.D	54	Alan is the Chief Financial Officer of the TPG group of companies, and has previously worked with a number of large international IT and financial companies. SP Telemedia Ltd (appointed 7 April 2008-current), Chariot Ltd (2007-current). Member of Remuneration Committee.
Joseph Pang Independent Non-Executive Director FCA	55	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 (appointed 7 April 2008-current). Member of Audit and Remuneration Committees.

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2008

1. Directors (continued)

Name, qualifications and independence status	*Age*	*Experience, special responsibilities and other directorships*
Former Directors		
Michael J Millner Non-Executive Director M.A.I.C.D.	55	SP Telemedia Ltd (2000-resigned director 7 April 2008), Washington H Soul Pattinson and Company Ltd (1997-current), Brickworks Ltd (1998-current), Choiseul Investments Ltd (2001-resigned director 25 July 2008), KH Foods Ltd (1997-2006), Ruralco Ltd (2003-2006), Ruralco Holdings Ltd (2007-current), Australian Food & Fibre Ltd (2000-2001). Former Deputy Chairman, and member of Remuneration and Audit Committees - resigned positions on 7 April 2008.
Peter R Robinson Non-Executive Director B.Com. F.A.I.C.D.	56	SP Telemedia Ltd (2000-resigned director 7 April 2008), Washington H Soul Pattinson and Company Ltd (1984-current), KH Foods Ltd (1987-2006 and 11 Feb 2008-current)), New Hope Corporation Ltd (1997-current), Clover Corporation Ltd (1997-current), Australian Pharmaceutical Industries Ltd (2000-current). Former member of Remuneration and Audit Committees – resigned positions on 7 April 2008.
David J Fairfull Non-Executive Director B.Com. A.C.I.S. C.P.A. M.A.I.C.D.	66	SP Telemedia Ltd (2000-resigned director 7 April 2008), Washington H Soul Pattinson and Company Ltd (1997-current), Pitt Capital Partners Ltd (1997-resigned director 29 February 2008), KH Foods Ltd (1997-2001 and 11 Feb 2008-current), New Hope Corporation Ltd (1997-current), Australian Pharmaceutical Industries Ltd (2000-2007), Souls Private Equity Ltd (2004-current), Stockland Ltd (1990-2006), Soul Communications Pty Ltd (2005-2007), Gazal Corporation Ltd (1987-2004). Former member of Remuneration Committee – resigned position on 7 April 2008.
William P Cleaves Independent Non-Executive Director Solicitor & Barrister	73	SP Telemedia Ltd (2004-resigned director 7 April 2008), Soul Communications Pty Ltd (2005-2008). Former Chairman of Audit Committee – resigned position on 7 April 2008.

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2008

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. He also holds several other company secretary positions within the SP Telemedia Limited group.

The former Company Secretary, Mr Nicholas Dunn, resigned on 24 October 2007.

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 Committee Meetings		Remuneration Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**
D Teoh	5	5	-	-	-	-
RD Millner	14	14	-	-	1	1
D Ledbury	11	14	-	-	-	-
AJ Latimer	5	5	-	-	-	-
J Pang	4	4	-	-	-	-
MJ Millner	7	10	2	2	1	1
PR Robinson	9	10	2	2	1	1
DJ Fairfull	9	10	-	-	1	1
WP Cleaves	6	10	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 changes

During the financial year the subsidiary company formerly known as Soul Communications Limited changed its name to Soul Communications Pty Ltd. Similarly, the subsidiary company formerly known as B Digital Investments Pty Ltd changed its name to Soul Contracts Pty Ltd.

Also during the financial year, subsequent to its acquisition by the Company, the subsidiary company formerly known as TPG Holdings Limited, changed its name to TPG Holdings Pty Ltd.

5. Corporate governance statement

The Board of Directors 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. It should be noted that while the Company and Board act in accordance with the principles of the Corporate Governance Council's Corporate Governance Principles and Recommendations (the Recommendations), the formal documentation of these policies and practices as required by the Recommendations is still to be addressed during the 2009 financial year.

This statement is based on the revised Recommendations released by ASX in August 2007. Where the Company departs from the Recommendations an explanation is provided.

Principle 1 Lay solid foundations for management and oversight

The Board's primary role is the protection and enhancement of the long term prosperity of the Company. To achieve this, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, approving and monitoring capital expenditure, establishing and monitoring achievement of strategic goals and ensuring the integrity of internal controls, risk management and management information systems.

The Board delegates to senior management responsibility for the implementation of the strategic direction and retains oversight of performance by senior management and compliance with statutory, legal and other regulatory obligations.

The Company is in the process of developing a Board Charter in line with the current needs of the Company. The Charter will define the functions reserved for the Board as is required by ASX Recommendation 1.1. Once adopted, the Board Charter will be uploaded onto the Company's website. In this regard the Company is currently not in compliance with ASX Recommendation 1.1 and 1.3.

The Board undertakes an evaluation against appropriate key indicators of the performance of the Board, individual Directors and the Board committees as well as the performance of senior executives. The Company will be documenting current practice for the evaluation of the Board, individual Board members and the senior executives, which includes achievement of strategic goals, compliance and other key objectives as established by the Board. (ASX Recommendation 1.2).

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 structure of the Board changed during the year following the acquisition of TPG Holdings Limited (TPG). Details of the composition of the Board prior to and following the acquisition are set out on pages 4 to 5 of this Annual Report. 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 during the financial year are also set out in full on pages 4 to 5 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 following the merger with the TPG group is best served with the current Board composition. The need to integrate and streamline the operations of the businesses following the merger requires a majority of directors with operational experience and a strong understanding of the sector to facilitate effective decision making. 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 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 is not independent, as he is a director of a major shareholder, Washington H Soul Pattinson and Company Limited. Robert Millner has specific historical financial and business knowledge of the Company that, in the opinion of the Board, outweighs the requirement for independence at this time.

The Board is of the view that Denis Ledbury is independent, due to the subsequent changes in the operations and senior management within the Company, even though he was Managing Director of the Company until his retirement on 1 August 2005. With these changes Denis Ledbury is now free from interests and influences that could present a potential conflict of interest and is able to be seen as acting in the best interests of the Company as a whole.

The Board believes that each director brings an independent mind and judgement to bear on Board decisions, notwithstanding that the Chairman and a majority of the Board are not independent. 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. (ASX Recommendation 2.1).

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.

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 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 information
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).

5. Corporate governance statement (continued)

Principle 3 Promote ethical and responsible decision-making

Directors and employees are expected to act with the utmost integrity and objectivity striving at all times to enhance the reputation and performance of the Company and to ensure it maintains the highest standards in dealing with all its stakeholders, both internally and externally. The Company currently does not have a written Code of Conduct. (ASX Recommendation 3.1 and 3.3).

Directors and employees are required to ensure that the Company conducts its business in accordance with all applicable laws and regulations and in a way that enhances the Company's reputation.

To ensure that clear, consistent and appropriate information is given to regulatory bodies and the media the Chairman is the only officer authorised to speak on behalf of the Company.

Policy regarding trading in securities

The Company has established a securities trading policy which balances the investment interests of employees and directors 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 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 Australian Stock Exchange (ASX), the annual general meeting or any major announcement.

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.

5. Corporate governance statement (continued)

Principle 4 Safeguarding integrity in financial reporting

The Company has in place processes aimed at 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.

Audit Committee
As with the Board, the composition of the Audit Committee changed following the acquisition of TPG during the year. Details of all members of the Committee during the year and their qualifications are set out on pages 4 to 5 of this Annual Report. The Audit Committee now comprises the three non-executive directors, two of whom are independent, and it is chaired by Mr Denis Ledbury, an independent director. (ASX Recommendation 4.1, 4.2 & 4.4).

The Committee carries out its function in accordance with clearly established guidelines to ensure the integrity of the financial statements and independence of the external auditor. (ASX Recommendation 4.3)

The Committee's responsibilities include:
- review and assessment of the annual, half yearly and other financial information distributed to shareholders and other external parties;
- overseeing compliance with legislative and other mandatory reporting standards;
- assisting with determinations regarding accounting and regulatory practices and disclosures and reviewing the scope and results of the audit process;
- assessment of the internal controls and risk management framework;
- ensuring legal and regulatory compliance with appropriate standards, policies and codes; and
- oversight of the independence and effectiveness of external auditors.

The internal and external auditors, other directors and the Chief Financial Officer are invited to Audit Committee meetings at the discretion of the Committee. The Committee meets at least twice during the year and Committee members' attendance is disclosed in the table of meetings on page 6. (ASX Recommendation 4.4).

Auditor selection, appointment and lead partner rotation
The 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.

The Committee has responsibility to ensure that the audit partner rotation policy is effective and the overall succession plan is designed to minimise the effect on the Company.

5. Corporate governance statement (continued)

Principle 5 Make timely and balanced disclosure

Continuous disclosure

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. Specifically, the Company's policy is to ensure compliance with the Australian Stock Exchange. (ASX) Listing Rules 3.1, 3.1A and 3.1B. (ASX Recommendation 5.1 and 5.2).

The Continuous Disclosure Policy provides that:

- the Chief Executive Officer, Chief Financial Officer and Company Secretary are responsible for the interpretation of the policy identifying information that needs to be disclosed and ensuring disclosure to the ASX and the market in general in a timely manner;
- the Annual Report, together with commentary, is distributed to all shareholders, lodged with ASX and Australian Securities and Investments Commission and copies posted on the Company's website;
- the Chairman's address and other presentations at the Annual General meeting are lodged with the ASX;
- the half yearly financial report is lodged with ASX and Australian Securities and Investments Commission;
- analyst and media briefings are fully documented and lodged with the ASX; and
- all shareholder communications, including notice of meetings and explanatory memoranda are lodged with the ASX.

Principle 6 Respect the rights of shareholders

The Board of directors aims to ensure that shareholders are informed of all major developments affecting the Company. To date only major announcements have been posted to the Company's website in a clearly marked News & Press section. To achieve compliance with ASX Recommendation 6.1 the Company is in the process of upgrading its website to incorporate ASX announcements and other corporate information.

In addition, policies and procedures documenting the Company's compliance with the Recommendations will be available on the Company's website, as and when they are available, for the information of shareholders.

Shareholders are encouraged to participate at general meetings and are specifically offered the opportunity of receiving communications via email. (ASX Recommendation 6.1 and 6.2).

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. Management is required to provide assurance to the Board as to the contents of the annual financial statements including compliance with accounting standards and that the accounts represent a true and fair view of the Company's financial position. (ASX Recommendation 7.3).

The Company is currently establishing a business risk framework based on AS4360:2004 to ensure management, control and oversight of the business risk of the Company. The framework will take into account various risks including operational, environmental, compliance, technical and strategic risk and will provide a means of evaluation and reporting on the management of risk. As part of this process a risk management committee will be established to ensure oversight of the Company's business risk and report to the Board. (ASX Recommendation 7.1 & 7.2).

At this stage the Company is not fully in compliance with Principle 7 but it is planned that the business risk framework, risk management committee and reporting structure (ASX Recommendation 7.4) will be in place in calendar year 2009.

Principle 8 Remunerate fairly and responsibly

The Remuneration Committee comprises three directors, two of whom are independent non-executive directors. The Committee does not have a formal Charter. It considers the appropriateness of compensation packages and establishes a balance between fixed and variable compensation and short and long term performance based incentives designed to achieve the broader outcome of creating shareholder value.

Short term incentives include a fixed (cash) element and variable compensation components which may include both cash and equity based remuneration. Long term incentives are in the form of cash payments linked to major performance milestones and participation in the employee share and option plans for full or part time employees of the Company. The Company suspended the operation of these plans following the acquisition of TPG and is currently reviewing its options for implementing an alternative share equity plan.

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 the shareholders. For further information, refer to the Remuneration Report included at page 13 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 2008

5.1 Remuneration report – audited

5.1.1 Principles of compensation

Remuneration of directors and executives is referred to as compensation throughout this report.

Compensation levels for key management personnel of the Consolidated Entity are competitively set 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 also provides 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

The Company suspended the operation of existing performance-linked compensation plans following the acquisition of TPG and is currently reviewing alternative incentive plans.

The performance-linked compensation that pre-existed the TPG acquisition included both short-term and long-term incentives and was designed to reward key management personnel for meeting or exceeding the financial and personal objectives set by the Company. Under the terms of the scheme a bonus pool was established for the selected executives. The annual bonus pool was equal to 1.6% of the Consolidated Entity's profit before interest expense, income tax, intangible amortisation and significant items. Half of this bonus pool was paid as a cash bonus to the selected executives while the remaining half had to be taken as shares through the bonus share scheme. The amounts actually paid were based on the Remuneration Committee's assessment of the achievement of the financial and personal objectives of each executive.

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2008

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

Under the bonus share scheme the executive received the voting rights and dividend entitlement to shares purchased under the scheme however they were unable to access the shares until they satisfied the continuity of service criteria. These shares vested to the employee at 20% per annum at the end of each of the five years following allocation, provided they continued to be employed in the Consolidated Entity. If the employee terminated their employment, they forfeited their entitlement to the unvested shares, except in limited circumstances such as medical reasons, bona fide retirement or termination other than for gross misconduct.

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

In 2005, the Consolidated Entity entered into service contracts with Mr M Simmons, Mr S Legge, Mr J Eather and Ms D Wright. The contracts were for a three year period following which their employment was to continue on the same terms and conditions until a new contract was negotiated or the contract was terminated.

Following the sale of NBN Enterprises Pty Ltd on 8 May 2007, Mr J Eather and Ms D Wright were no longer employed by the Consolidated Entity.

During the 2008 financial year, the employment of Mr M Simmons and Mr S Legge terminated.

On 28 May 2008, the Consolidated Entity entered into a service contract with Mr D Teoh. The contract is for an initial term expiring 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. Note that in the following remuneration table the remuneration for the 2007 financial year for Mr DJ Fairfull, Mr WP Cleaves and Mr D Ledbury includes directors' fees from a controlled entity, Soul Communications Pty Ltd. 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 Group 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 %
Current													
Executive Directors													
Mr D Teoh, Chairman	2008	76,923	-	-	76,923	29,525	-	-	-	-	106,448	-	-
(appointed 7 April 2008)	2007	-	-	-	-	-	-	-	-	-	-	-	-
Mr AJ Latimer	2008	29,216	-	-	29,216	41,214	-	-	-	-	70,430	-	-
(appointed 7 April 2008)	2007	-	-	-	-	-	-		-	-	-	-	-
Non-executive Directors													
Mr D Ledbury	2008	23,750	-	3,765	27,515	26,550	-	-	-	-	54,065	-	-
	2007	176,230	-	11,002	187,232	16,189	-	-	-	-	203,421	-	-
Mr RD Millner (1)	2008	65,000	-	-	65,000	5,850	-	-	-	-	70,850	-	-
	2007	70,000	-	-	70,000	6,300	-	-	-	-	76,300	-	-
Mr J Pang	2008	13,125	-	-	13,125	1,181	-	-	-	-	14,306	-	-
(appointed 7 April 2008)	2007	-	-	-	-	-	-	-	-	-	-	-	-
Former													
Non-executive Directors													
Mr MJ Millner	2008	42,308	-	-	42,308	3,808	-	-	-	-	46,116	-	-
(resigned 7 April 2008)	2007	55,000	-	-	55,000	4,950	-	-	-	-	59,950	-	-
Mr PR Robinson	2008	34,615	-	-	34,615	3,115	-	-	-	-	37,730	-	-
(resigned 7 April 2008)	2007	45,000	-	-	45,000	4,050	-	-	-	-	49,050	-	-
Mr DJ Fairfull	2008	34,615	-	-	34,615	3,115	-	-	-	-	37,730	-	-
(resigned 7 April 2008)	2007	113,750	-	-	113,750	10,237	-	-	-	-	123,987	-	-
Mr WP Cleaves	2008	38,461	-	-	38,461	3,462	-	-	-	-	41,923	-	-
(resigned 7 April 2008)	2007	94,626	-	-	94,626	8,516	-	-	-	-	103,142	-	-
Mr A Gordon	2008	-	-	-	-	-	-	-	-	-	-	-	-
(resigned 22 March 2007)	2007	26,250	-	-	26,250	2,363	-	-	-	-	28,613	-	-

(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 2008

5.1 Remuneration report – audited (continued)

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

		Short-term				Post-employment			Share-based payments				
Executives		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 %
Current													
Mr W Piestrzynski	2008	53,375	-	-	53,375	31,490	-	-	-	-	84,865	-	-
	2007	-	-	-	-	-	-	-	-	-	-	-	-
Ms M De Ville	2008	159,727	7,500	-	167,227	70,948	-	-	-	1,124	239,299	3.6%	-
	2007	183,746	-	-	183,746	45,817	-	-	-	-	229,563	-	-
Mr S Banfield	2008	165,000	32,500	-	197,500	17,775	-	-	-	1,837	217,112	15.8%	-
	2007	160,643	22,360	-	183,003	14,458	-	-	-	-	197,461	11.3%	-
Former													
Ms K Langtry (ceased to be key	2008	83,600	10,000	-	93,600	117,183	58,840	88,812	-	10,000	368,435	5.4%	-
executive 31 July 2008)	2007	94,600	-	-	94,600	96,150	-	-	63,377	-	254,127	-	24.9%
Mr M Simmons	2008	430,297	140,859	38,387	609,543	71,582	511,438	-	-	-	1,192,563	11.8%	-
(resigned 7 May 2008)	2007	447,824	77,000	41,448	566,272	72,960	-	-	-	138,733	777,965	27.7%	-
Mr S Legge	2008	286,691	67,821	32,511	387,023	84,107	161,449	382,125	-	67,821	1,082,525	12.5%	-
(resigned 7 April 2008)	2007	340,237	49,000	14,233	403,470	54,493	-	-	-	87,583	545,546	25.0%	-
Mr G Savva	2008	135,000	-	-	135,000	12,150	-	-	-	-	147,150	-	-
(resigned 31 January 2008)	2007	270,000	-	-	270,000	24,300	-	-	18,359	-	312,659	-	5.9%
Mr S Mitchinson	2008	68,006	-	2,963	70,969	10,584	-	52,308	-	-	133,861	-	-
(resigned 12 September 2007)	2007	197,977	3,750	5,511	207,238	17,817	-	-	69,124	-	294,179	1.3%	23.5%
Ms D Wright (employer	2008	-	-	-	-	-	-	-	-	-	-	-	-
subsidiary sold 9 May 2007)	2007	172,950	24,500	26,365	223,815	27,395	-	-	-	43,792	295,002	23.1%	-
Mr J Eather (employer	2008	-	-	-	-	-	-	-	-	-	-	-	-
subsidiary sold 9 May 2007)	2007	346,450	77,000	28,427	451,877	58,713	-	693,554	-	138,733	1,342,877	16.1%	-
Mr W Pye	2008	-	-	-	-	-	-	-	-	-	-	-	-
(resigned 14 June 2007)	2007	207,309	-	13,099	220,408	33,865	-	-	-	-	254,273	-	-

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2008

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 bonus paid in the 2008 financial year was for performance during the 31 July 2007 financial year. The short-term incentive bonus paid in the 2007 financial year was for performance during the 31 July 2006 financial year.

B. Certain executives received shares as part of their remuneration under the executive bonus share scheme (EBSS). 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.

In the 2007 financial year, the sale of NBN Enterprises Pty Ltd triggered the vesting of all shares under the EBSS that were unvested at that time.

In the 2007 financial year Mr S Mitchinson, Mrs K Langtry and Mr G Savva received share options as part of their remuneration under Soul Communications Pty Ltd's executive share option plan (ESOP). The fair value of the options was calculated at the date of grant using the Black-Scholes pricing model and allocated to each reporting period evenly over the period from grant date to vesting date subject to certain events which trigger vesting. In valuing the options, market conditions were taken into account.

The full acquisition of Soul Communications Pty Ltd during the 2007 financial year triggered all of the options granted under the ESOP to vest.

5.1.3 Analysis of bonuses included in remuneration
Short-term incentive cash bonuses awarded as remuneration to relevant executives of the Consolidated Entity are detailed below:

	Included in remuneration $	Vested in year %	Forfeited in year %
Executives			
Mr M Simmons	140,859	100	0
Mr S Legge	67,821	100	0
Mr S Banfield	32,500	100	0
Ms M De Ville	7,500	100	0
Ms K Langtry	10,000	100	0

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2008

5.1 Remuneration report – audited (continued)
5.1.4 Equity instruments
5.1.4.1 Shares, options and rights over equity instruments granted as compensation

Details on ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details on 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 2008
Mr M Simmons	338,510	13 Dec 07	0.42	-
Mr S Legge	162,986	13 Dec 07	0.42	162,986
Mr S Banfield	99,971	13 Dec 07	0.42	4,374
Ms M De Ville	24,056	13 Dec 07	0.42	2,676
Ms K Langtry	24,031	13 Dec 07	0.42	24,031

The shares in the table above were granted under the bonus share scheme described in 5.1.1. Mr M Simmons, Mr S Legge and Ms K Langtry ceased employment during the year. The unvested shares relating to the remaining key executives will vest in accordance with the rules described in 5.1.1.

No other options or rights over equity instruments have been granted since the end of the 2007 financial year.

5.1.4.2 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.

5.1.4.3 Exercise of options granted as compensation

During the 2008 financial year, there were no outstanding share options.

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

All outstanding share options vested and were exercised during the 2007 financial year.

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.

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2008

7. Operating and financial review

The Consolidated Entity reported revenue of $446 million (2007: $427 million) and a net loss after tax for the year ended 31 July 2008 of $18.9 million compared with a profit of $6.0 million from continuing operations for the previous corresponding period. This has resulted in a loss per share of 3.9 cents from continuing operations (2007 earnings per share of 1.7 cents from continuing operations).

This loss was impacted by the writing off of exceptional bad and doubtful debts ($15 million), capitalised commission ($7 million), costs associated with the merger with TPG Holdings Limited ($6 million) and other non-recurring costs of approximately $7 million. The debt and commission write-offs have principally resulted from call centre dealers and customers acquired through this channel. This business model has been discontinued.

The Consolidated Entity believes that most cost-saving synergies expected to result from the merger with TPG have been obtained. Further synergies will result over time from the use of TPG's DSLAM infrastructure plus some general administration and systems efficiencies which will streamline operational functions around service provisioning, billing and collections.

The acquisition of TPG (including Chariot) for the four months from April 2008 contributed revenues of $64 million and EBITDA of $24 million. If the acquisition had occurred on 1 August 2007, TPG would have contributed revenue of approximately $173 million and EBITDA of approximately $61 million.

In the 2008 year the Consolidated Entity has already made early repayments of $14 million in relation to the $150 million debt facility put in place to finance the TPG merger. We intend to make further early repayments to the facility as allowed by cash flow and the terms of the debt facilities agreement. At 31 July 2008, the Company had cash on hand of $14 million.

Following the fully franked special dividend of 2.4 cents per share paid to shareholders on the register as of 17 April 2008 (which accordingly did not include shares issued as consideration for the acquisition of TPG) a final dividend will not be paid in respect of the FY08 financial year.

The Consolidated Entity is today well positioned as one of the country's largest telecommunications network operators, to continue to expand market share in internet, data and voice products and services.

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2008

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 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 as paid during the year were franked at the rate of 30 per cent.

Declared after end of year

The directors have determined that following the fully franked special dividend of 2.4 cents per share paid to equity holders on the register as of 17 April 2008 (which accordingly did not include shares issued as part consideration for the acquisition of TPG Holdings Limited – refer note 8) a final dividend will not be paid in respect of the 2008 financial year.

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	Shares in Washington H Soul Pattinson and Company Limited
Mr D Teoh	261,172,492	-
Mr RD Millner	4,295,784	18,856,676
Mr D Ledbury	300,223	5,000
Mr AJ Latimer	1,174,102	-
Mr J Pang	-	-

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2008

12. Share options

Shares issued on exercise of options
During or since the end of the financial year, the Company has not issued any ordinary shares as a result of the exercise of options.

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 the end of the previous financial year the Company has paid insurance premiums of $42,283 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 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.

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 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.

SP Telemedia Limited and its controlled entities
Directors' report (continued)
For the year ended 31 July 2008

14. Non-audit services (continued)

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	
	2008 $	**2007 $**
Audit services:		
Auditors of the Company:		
Audit and review of financial reports (KPMG Australia)	423,000	508,809
Other Auditors:		
Audit and review of financial reports (Hayes Knight)	59,600	-
Audit and review of financial reports (PKF)	40,000	-
	522,600	508,809
Services other than statutory audit:		
Other regulatory audit services:		
Telecommunications USO return (KPMG Australia)	5,000	10,231
Bank covenant compliance certificate (KPMG Australia)	7,500	-
Other services:		
Taxation compliance services (KPMG Australia)	-	8,119
Taxation compliance services (Hayes Knight)	69,000	-
Taxation compliance services (PKF)	16,000	-
Other assurance services (Hayes Knight)	14,500	-
Assistance with Visa applications (KPMG Australia)	-	8,929
Corporate advisory services (KPMG Australia)	-	60,000
Assistance with Class order preparation (KPMG Australia)	-	1,500
	112,000	88,779

15. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 94 and forms part of the directors' report for financial year ended 31 July 2008.

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 17th day of October 2008.

SP Telemedia Limited and its controlled entities
Income statements
For the year ended 31 July 2008

		Consolidated		The Company	
In thousands of AUD	*Note*	2008	2007	2008	2007
Continuing operations					
Revenue		446,449	426,568	-	-
Cost of sales	*10*	(303,345)	(297,014)	-	-
Gross profit		143,104	129,554	-	-
Other income	*9*	7,658	4	-	66,456
Selling and distribution expenses	*10*	(74,065)	(69,718)	-	-
Administrative expenses	*10*	(96,974)	(49,051)	(2,546)	(43,620)
Results from operating activities		(20,277)	10,789	(2,546)	22,836
Finance income	*12*	4,622	4,163	2,389	2,545
Finance expenses	*12*	(8,009)	(7,106)	(7,000)	(6,409)
Net financing costs		(3,387)	(2,943)	(4,611)	(3,864)
(Loss)/profit before income tax		(23,664)	7,846	(7,157)	18,972
Income tax benefit/(expense)	*13*	4,731	(1,883)	92	(14,341)
(Loss)/profit from continuing operations after income tax for the year		(18,933)	5,963	(7,065)	4,631
Discontinued operation					
Profit of discontinued operation (net of income tax)	*7*	-	37,942	-	-
(Loss)/profit for the year		(18,933)	43,905	(7,065)	4,631
Attributable to:					
Equity holders of the parent		(18,783)	44,937	(7,065)	4,631
Minority interest		(150)	(1,032)	-	-
(Loss)/profit for the year		(18,933)	43,905	(7,065)	4,631
(Loss)/earnings per share:					
Basic (loss)/earnings per share	*14*	(3.9)	11.1		
Diluted (loss)/earnings per share	*14*	(3.9)	11.1		
(Loss)/earnings per share from continuing operations:					
Basic (loss)/earnings per share	*14*	(3.9)	1.7		
Diluted (loss)earnings per share	*14*	(3.9)	1.7		

The income statements are to be read in conjunction with the notes to the consolidated financial statements set out on pages 27 to 90.

SP Telemedia Limited and its controlled entities
Statements of recognised income and expense
For the year ended 31 July 2008

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Foreign exchange translation differences	(156)	138	-	-
Income and expense recognised directly in equity	(156)	138	-	-
(Loss)/profit for the year	(18,933)	43,905	(7,065)	4,631
Total recognised income and expense for the year	(19,089)	44,043	(7,065)	4,631
Attributable to:				
Equity holders of the parent	(18,939)	45,031	(7,065)	4,631
Minority interest	(150)	(988)	-	-
Total recognised income and expense for the year	(19,089)	44,043	(7,065)	4,631

The statements of recognised income and expense are to be read in conjunction with the notes to the consolidated financial statements set out on pages 27 to 90.

SP Telemedia Limited and its controlled entities
Balance sheets
As at 31 July 2008

In thousands of AUD	***Note***	**Consolidated 2008**	**Consolidated 2007**	**The Company 2008**	**The Company 2007**
Assets					
Cash and cash equivalents	*15*	14,053	80,654	107	69,796
Trade and other receivables	*16*	64,483	68,209	98	72
Inventories	*17*	1,133	2,716	-	-
Intangible assets	*24*	24,720	29,211	-	-
Assets held for sale	*21*	-	500	-	-
Current tax assets	*20*	-	308	-	-
Prepayments and other assets	*18*	9,814	4,950	2,025	2,359
Total current assets		**114,203**	**186,548**	**2,230**	**72,227**
Receivables	*16*	2,804	-	103,460	98,333
Investments	*19*	-	-	462,061	195,169
Deferred tax assets	*22*	-	-	5,507	8,815
Property, plant and equipment	*23*	137,594	120,784	-	-
Intangible assets	*24*	360,741	66,897	-	-
Prepayments and other assets	*18*	2,705	5,995	1,833	4,040
Total non-current assets		**503,844**	**193,676**	**572,861**	**306,357**
Total assets		**618,047**	**380,224**	**575,091**	**378,584**
Liabilities					
Bank overdraft	*15*	-	10	-	10
Trade and other payables	*25*	80,917	58,091	1,405	1,395
Loans and borrowings	*26*	22,294	8,051	33,665	13,297
Current tax liabilities	*20*	8,005	14,727	512	14,727
Employee benefits	*27*	2,544	2,772	-	-
Provisions	*28*	827	165	-	-
Deferred income and other liabilities	*29*	32,459	22,995	355	-
Total current liabilities		**147,046**	**106,811**	**35,937**	**29,429**
Loans and borrowings	*26*	137,629	31,087	130,000	30,000
Deferred tax liabilities	*22*	17,050	1,819	-	-
Employee benefits	*27*	1,302	1,219	-	-
Provisions	*28*	156	164	-	-
Deferred income and other liabilities	*29*	8,214	6,622	-	-
Total non-current liabilities		**164,351**	**40,911**	**130,000**	**30,000**
Total liabilities		**311,397**	**147,722**	**165,937**	**59,429**
Net assets		**306,650**	**232,502**	**409,154**	**319,155**
Equity					
Share capital	*30*	384,693	272,837	384,693	272,837
Reserves	*30*	(55,878)	(50,627)	(204)	-
(Accumulated losses)/retained earnings	*30*	(22,165)	10,292	24,665	46,318
Total equity		**306,650**	**232,502**	**409,154**	**319,155**

The balance sheets are to be read in conjunction with the notes to the consolidated financial statements set out on pages 27 to 90.

SP Telemedia Limited and its controlled entities
Statements of cash flows
For the year ended 31 July 2008

		Consolidated		The Company	
In thousands of AUD	***Note***	**2008**	**2007**	**2008**	**2007**
Cash flows from operating activities					
Cash receipts from customers		456,155	523,283	-	-
Cash paid to suppliers and employees		(419,379)	(479,957)	(1,205)	(1,856)
Cash generated from operations		36,776	43,326	(1,205)	(1,856)
Interest received		3,438	2,937	2,394	2,135
Interest paid		(5,876)	(6,858)	(5,096)	(5,503)
Income taxes (paid)/received		(17,268)	(9,572)	(12,805)	15
Net cash from operating activities	*36*	**17,070**	**29,833**	**(16,712)**	**(5,209)**
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		91	-	-	-
Proceeds from sale of subsidiary	*7*	-	234,191	-	235,928
Acquisition of subsidiaries, net of cash acquired	*8*	(135,565)	-	(154,831)	-
Acquisition of minority interest, net of costs		(98)	(72,949)	(45)	(73,105)
Acquisition of property, plant and equipment		(21,694)	(30,447)	-	-
Security deposits		-	(182)	-	-
Loans to related parties		(1,291)	(699)	-	-
Loans from subsidiaries		-	-	19,138	7,897
Net cash (used in)/from investing activities		**(158,557)**	**129,914**	**(135,738)**	**170,720**
Cash flows from financing activities					
Payment of transaction costs on issue of share capital		(124)	-	(124)	-
Proceeds from borrowings		150,000	114,251	150,000	110,817
Repayment of borrowings		(55,378)	(119,711)	(52,517)	(114,817)
Repayments to related parties		-	(39,983)	-	(35,400)
Payment of finance lease liabilities		(6,024)	(696)	-	-
Restricted cash released		1,083	4,150	-	-
Dividends paid		(14,588)	(56,324)	(14,588)	(56,324)
Net cash from/(used in) financing activities		**74,969**	**(98,313)**	**82,771**	**(95,724)**
Net (decrease)/increase in cash and cash equivalents		(66,518)	61,434	(69,679)	69,787
Cash and cash equivalents at 1 August		80,644	19,155	69,786	(1)
Effect of exchange rate fluctuations on cash held		(73)	55	-	-
Cash and cash equivalents at 31 July	*15*	**14,053**	**80,644**	**107**	**69,786**

The statements of cash flows are to be read in conjunction with the notes to the consolidated financial statements set out on pages 27 to 90.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

Index to notes to the consolidated financial statements

		Page
1.	Reporting entity	28
2.	Basis of preparation	28
3.	Significant accounting policies	29
4.	Determination of fair values	43
5.	Financial risk management	44
6.	Segment reporting	47
7.	Discontinued operation	49
8.	Acquisitions of subsidiaries and minority interests	51
9.	Other income	53
10.	Expenses	53
11.	Auditors' remuneration	54
12.	Finance income and expenses	54
13.	Income tax expense	55
14.	Earnings per share	56
15.	Cash and cash equivalents	57
16.	Trade and other receivables	57
17.	Inventories	57
18.	Prepayments and other assets	57
19.	Investments	58
20.	Current tax assets and liabilities	58
21.	Assets held for sale	58
22.	Deferred tax assets and liabilities	59
23.	Property, plant and equipment	61
24.	Intangible assets	63
25.	Trade and other payables	65
26.	Loans and borrowings	66
27.	Employee benefits	68
28.	Provisions	69
29.	Deferred income and other liabilities	70
30.	Capital and reserves	71
31.	Financial instruments	75
32.	Operating leases	81
33.	Capital and other commitments	81
34.	Contingencies	81
35.	Consolidated entities	82
36.	Reconciliation of cash flows from operating activities	83
37.	Related parties	84
38.	Subsequent events	90
39.	Deed of cross guarantee	90

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

1. Reporting entity

SP Telemedia Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 11-17 Mosbri Crescent, Newcastle, NSW 2300. The consolidated financial report of the Company as at and for the year ended 31 July 2008 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 consolidated financial report of the Consolidated Entity and the Company comply 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 17 October 2008.

(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 its 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 2008 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 have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- note 8 – business combinations
- note 19 – measurement of the recoverable amounts of investments in subsidiaries
- note 22 – utilisation of tax losses
- note 24 – measurement of the recoverable amounts of cash-generating units containing goodwill
- note 31 – valuation of financial instruments

2. Basis of preparation (continued)

(e) Classification of assets and liabilities

A subsidiary company that operates in the retail telecommunications industry has a typical customer contract period of 24 months and has classified operating assets and liabilities as current and non current on this basis. Other assets and liabilities are classified based on an operating cycle of 12 months.

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. In addition, the comparative income statement has been re-presented as if an operation discontinued during the comparative period had been discontinued from the start of the comparative period (see note 7).

(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.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

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 (relating to the discontinued operation)	40 years

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

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

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) Television licence

The television licence, relating to the discontinued operation, was stated at cost less accumulated impairment losses (see accounting policy (h)). No amortisation was provided against the licence as the directors believed that the licence had an indefinite useful life.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

3. Significant accounting policies (continued)

(d) Intangible assets (continued)

(ix) 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.

(x) 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.

(xi) 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
• Television licence (relating to discontinued operation)	indefinite life

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

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 2008

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.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

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, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick 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) Executive share option plan

Up until financial year 2007, a subsidiary, Soul Communications Pty Ltd, offered options under an executive and employee share option plan. The fair value of options granted was recognised as an employee expense with a corresponding increase in equity. The fair value was measured at grant date and spread over the period during which the employees became unconditionally entitled to the options. The fair value of the options granted was measured using the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense was adjusted to reflect the actual number of share options that vested except where forfeiture was related to market performance hurdles.

(iv) General employee share plan

Up until financial year 2007, a subsidiary, Soul Communications Pty Ltd, offered a General Employee Share Plan to eligible employees to acquire shares in Soul Communications Limited for no consideration as a bonus component of their remuneration. The fair value of the shares issued was recognised as an employee expense with a corresponding increase in equity, and was measured based on the volume weighted average share price of the shares in the company on the Australian Stock Exchange over the 5 trading days ending on the day the shares were issued.

(v) Executive Bonus Share Scheme

The Consolidated Entity had in place an Executive Bonus Share Scheme that provided for selected executives to receive ordinary shares in the Company. Under this scheme funds were transferred to a trust which acted as an agent and purchased shares for the benefit of the selected executives. A treasury share reserve was recognised for the funds transferred to the scheme. An employee expense was recognised over the period during which the executives become unconditionally entitled to the shares with a corresponding decrease in the treasury share reserve.

(vi) 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) Income in advance

Income in advance 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.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

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, interest receivable on funds invested and foreign exchange gains and losses. 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.

Foreign currency gains and losses are reported on a net basis.

(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.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

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).

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) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

(t) Earnings per share

The Group 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 and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

3. Significant accounting policies (continued)

(u) 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 2008, but have not been applied in preparing this financial report:

- **Revised AASB 3 *Business Combinations*** changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes 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 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 the 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*** introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 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.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

3. Significant accounting policies (continued)

(u) 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. The revised AASB 123 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 the capitalisation of borrowing costs commences on or after the effective date. The Consolidated Entity has not yet determined the potential effect of the revised standard on future earnings.

- **Revised AASB 127 *Consolidated and Separate Financial Statements*** changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. 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*** changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the Consolidated Entity's 31 July 2010 financial statements. 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 31).

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 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 Committee is assisted in its oversight role by the Internal Auditor. The Internal Auditor 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 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 68% (2007: 59%) of the Consolidated Entity's revenue is 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.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

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 $6 million which is fully unutilised at 31 July 2008. There was no such bank overdraft facility in existence during the comparative 2007 financial year.

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 $136 million at 31 July 2008. There was no such policy of hedging in existence in the comparative 2007 financial year.

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.

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

Following the sale of its media assets on 8 May 2007 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
Notes to the consolidated financial statements
For the year ended 31 July 2008

6. Segment reporting (continued)

Business segments	Media (Discontinued)		Telecommunications		Eliminations		Consolidated	
In thousands of AUD	2008	2007	2008	2007	2008	2007	2008	2007
Revenue from external customers	-	61,145	446,449	423,913	-	-	446,449	485,058
Inter-segment revenue	-	2,931	-	2,655	-	(5,586)	-	-
Total revenue	-	64,076	446,449	426,568	-	(5,586)	446,449	485,058
Segment result	-	8,702	(20,277)	10,789	-	-	(20,277)	19,491
Results from operating activities *							(20,277)	19,491
Net financing costs *							(3,387)	(4,434)
Income tax benefit/(expense) *							4,731	(3,027)
Profit on sale of media segment (net of tax)							-	31,875
(Loss)/profit for the year *							(18,933)	43,905
Segment assets	-	-	618,047	380,224	-	-	618,047	380,224
Segment liabilities	-	-	311,397	147,722	-	-	311,397	147,722
Capital expenditure	-	1,610	19,046	29,399	-	-	19,046	31,009
Depreciation of plant and equipment	-	3,144	19,670	14,752	-	-	19,670	17,896
Amortisation of intangible assets	-	82	51,032	41,457	-	-	51,032	41,539

* The prior year comparatives include balances from both continued and discontinued operations.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

7. Discontinued operation

On 8 May 2007, the Consolidated Entity disposed of its entire Media segment through the sale of 100% of its interest in NBN Enterprises Pty Ltd.

The segment was classified as a discontinued operation as at 31 July 2007 and the comparative income statement has been re-presented to show the discontinued operation separately from continuing operations.

Profits attributable to the discontinued operation were as follows:

In thousands of AUD	**2007**
Results of discontinued operation	
Revenue	64,076
Expenses	(56,865)
Results from operating activities	7,211
Income tax expense	(1,144)
Results from operating activities, net of income tax	6,067
Gain on sale of discontinued operation	47,699
Income tax on gain on sale of discontinued operation	(15,824)
Gain on sale of discontinued operation, net of income tax	31,875
Profit for the period	37,942
Basic earnings per share (cents)	9.4
Diluted earnings per share (cents)	9.4
Cash flows from (used in) discontinued operation	
Amounts not already disclosed in the statements of cash flows are as follows:	
Net cash from operating activities	6,240
Net cash used in investing activities	(2,183)
Net cash from financing activities	-
Net cash from discontinued operation	4,057

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

7. Discontinued operation (continued)

In thousands of AUD	2007
Effect of the disposal on the financial position of the group	
Cash and cash equivalents	(469)
Trade and other receivables	(19,697)
Prepayments and other assets	(601)
Investments	(47)
Intangible assets	(151,613)
Property, plant and equipment	(40,533)
Deferred tax assets	(1,249)
Trade and other payables	18,184
Provisions	4,079
Net identifiable assets and liabilities	**(191,946)**
Total consideration	244,000
Consideration received, satisfied in cash	238,000
Cash disposed of	(469)
Cash inflow	237,531
Transaction costs paid	(3,340)
Net cash inflow	**234,191**

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

8. 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 $61,341k to consolidated revenue and $8,904k to consolidated net profit after tax. If the acquisition had occurred on 1 August 2007, management estimates that the acquisition would have contributed $167,687k to consolidated revenue and $28,382k to consolidated net profit after tax.

The initial accounting for the acquisition of TPG shown above is provisional, due to certain elements of the acquisition accounting being based on estimates, and may be adjusted within 12 months to reflect new information obtained about facts and circumstances that existed at the acquisition date which would have affected measurement of amounts recognised at that date.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

8. Acquisitions of subsidiaries and minority interests (continued)

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 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 $2.7m (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 $3.98m.

The $2.7m cost of acquisition was financed by the issue of 8,990,951 shares in SP Telemedia Limited.

Acquisition of minority interest in Soul Communications Pty Ltd (formerly B Digital Limited)
On 25 September 2006, the Company announced a conditional offer to acquire the shares in B Digital Limited that it did not already own, at an offer price of 16 cents per share. On 1 November 2006, the bid became unconditional and on 8 November 2006 the Company's relevant interest in B Digital Limited exceeded 90% triggering the compulsory acquisition provisions. The final shares were acquired under compulsory acquisition on 22 December 2006.

Prior to announcing the offer, the Company held 45.76% of the shares in B Digital Limited. As a result of this acquisition, the Net Profit After Tax attributable to Members for the year to 31 July 2007 incorporates 45.76% of B Digital's earnings for the 3 months to 31 October 2006 and 100% of its earnings for the 9 months to 31 July 2007.

The total cost of the acquisition of the remaining shares was $73.3m, 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 $52.5m.

The $73.3m cost of acquisition was financed through a bank loan.

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.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

9. Other Income

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Results from operations includes the following specific items within Other income:				
Lease surrender fee	7,398	-	-	-
Profit on sale of discontinued operation *	-	-	-	66,456

* refer discontinued operation – note 7.

10. Expenses

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Results from operating activities includes the following specific expenses within:				
a) Cost of sales				
Amortisation of capitalised deferred subscriber acquisition costs	32,676	34,447	-	-
Impairment of capitalised deferred subscriber acquisition costs	7,453	-	-	-
b) Selling and distribution expenses				
Depreciation of plant and equipment	19,670	17,896	-	-
Impairment of plant and equipment	7,756	-	-	-
c) Administrative expenses				
Amortisation of non-current intangibles	18,356	7,092	-	-
Bad and doubtful debts expense	23,420	7,475	-	-
Employee benefits	48,492	47,488	-	-

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

11. Auditors' remuneration

	Consolidated		The Company	
	2008	2007	2008	2007
Audit services				
Auditors of the Company – KPMG Australia				
Audit and review of financial reports	423,000	546,809	-	-
Other regulatory audit services	12,500	10,231	-	-
	435,500	557,040	-	-
Other Auditors – Hayes Knight				
Audit and review of financial reports	59,600	-	-	-
Other Auditors – PKF				
Audit and review of financial reports	40,000	-	-	-
	535,100	557,040	-	-
Other services				
Auditors of the Company – KPMG Australia				
Other assurance services	-	70,429	-	-
Taxation	-	8,119	-	-
Other Auditors – Hayes Knight				
Other assurance services	14,500	-	-	-
Taxation	69,000	-	-	-
Other Auditors – PKF				
Taxation	16,000	-	-	-
	99,500	78,548	-	-

12. Financial income and expense

Recognised in profit or loss

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Interest income	4,622	4,163	2,389	2,545
Interest expense	(6,484)	(6,658)	(5,475)	(5,961)
Borrowing costs	(1,525)	(448)	(1,525)	(448)
Net finance income and expense	(3,387)	(2,943)	(4,611)	(3,864)

Recognised in equity

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Foreign currency translation differences on translation of foreign operations	(156)	138	-	-
Finance (expense)/income recognised directly in equity, net of tax	(156)	138	-	-
Attributable to:				
Equity holders of the Company	(156)	138	-	-
Minority interest	-	-	-	-
Finance (expense)/income recognised directly in equity, net of tax	(156)	138	-	-

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

13. Income tax expense

Recognised in the income statement

		Consolidated		The Company	
In thousands of AUD	*Note*	2008	2007	2008	2007
Current tax expense					
Current year		3,073	4,585	(14,004)	13,621
Adjustments for prior years		(365)	(552)	(365)	-
		2,708	4,033	(14,369)	13,621
Deferred tax expense					
Origination and reversal of temporary differences		(7,439)	(1,006)	3,308	(8,056)
Tax losses transferred on tax consolidation		-	-	10,969	8,776
		(7,439)	(1,006)	14,277	720
Income tax (benefit)/expense excluding sale of discontinued operation		(4,731)	3,027	(92)	14,341
Income tax (benefit)/expense from continuing operations		(4,731)	1,883	(92)	14,341
Income tax expense from discontinued operation (excluding tax on gain on sale)	7	-	1,144	-	-
		(4,731)	3,027	(92)	14,341
Income tax on gain on sale of discontinued operation	7	-	15,824	-	-
Total income tax (benefit)/expense		(4,731)	18,851	(92)	14,341

Numerical reconciliation between tax expense and pre-tax accounting profit

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
(Loss)/profit before income tax	(23,664)	62,756	(7,157)	18,972
Income tax (benefit)/expense using the Company's domestic tax rate of 30% (2007: 30%)	(7,098)	18,827	(2,147)	5,692
Increase/(decrease) in income tax expense due to:				
(Other deductible items)/non-deductible expenses	(163)	198	(37)	12,795
Difference in calculating the gain on sale of discontinued operation for accounting and tax purposes	-	1,634	-	(4,146)
Effect of implementation of tax consolidation	438	(743)	-	-
Effect of previously unrecognised temporary differences	-	(513)	-	-
Effect of tax losses cancelled on failure of continuity of ownership tests	2,457	-	2,457	-
	(4,366)	19,403	273	14,341
Over provided in prior years	(365)	(552)	(365)	-
Income tax (benefit)/expense	(4,731)	18,851	(92)	14,341

Income tax recognised directly in equity

In the 2008 financial year, the Consolidated Entity reversed $204,000 previously recognised in equity in relation to intangible assets (2007: $204,000 recognised).

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

14. Earnings per share

	2008 Cents	2007 Cents
Basic and diluted (loss)/earnings per share	(3.9)	11.1
Basic and diluted (loss)/earnings per share from continuing operations	(3.9)	1.7

	2008 Number	2007 Number
Weighted average number of shares used in calculating basic and diluted earnings per share		
Ordinary shares issued at 1 August	405,208,684	405,208,684
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	491,641,505	405,208,684

In thousands of AUD	2008	2007
Reconciliations of net (loss)/profit attributable to ordinary shareholders used in calculating earnings per share		
Basic and diluted earnings per share:		
Net (loss)/profit for the year	(18,933)	43,905
Net loss attributable to outside equity interest	(150)	(1,032)
Net (loss)/profit attributable to ordinary shareholders	(18,783)	44,937
Basic and diluted earnings per share from continuing operations:		
Net (loss)/profit for the year from continuing operations	(18,933)	5,963
Net loss attributable to outside equity interest	(150)	(1,032)
Net (loss)/profit attributable to ordinary shareholders from continuing operations	(18,783)	6,995

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

15. Cash and cash equivalents

In thousands of AUD	*Note*	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Current					
Bank balances		14,046	80,650	107	69,796
Cash		7	4	-	-
Cash and cash equivalents		14,053	80,654	107	69,796
Bank overdraft		-	(10)	-	(10)
Cash and cash equivalents in the statements of cash flows		14,053	80,644	107	69,786

The Consolidated Entity's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 31.

16. Trade and other receivables

In thousands of AUD	*Note*	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Current					
Trade receivables		73,863	68,339	-	-
Less: Impairment losses		(23,844)	(12,641)	-	-
Accrued income		7,650	5,477	-	5
Other receivables		6,814	7,034	98	67
		64,483	68,209	98	72
Non-current					
Other receivables		2,804	-	-	-
Loans to controlled entities		-	-	103,460	98,333
		2,804	-	103,460	98,333

The Consolidated Entity's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 31.

17. Inventories

In thousands of AUD	*Note*	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Customer hardware		1,133	2,716	-	-

During the year ended 31 July 2008, the write-down of inventories to net realisable value amounted to $727,052 (2007: $nil).

18. Prepayments and other assets

In thousands of AUD	*Note*	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Current					
Prepayments		8,748	4,623	2,025	2,032
Other		1,066	327	-	327
		9,814	4,950	2,025	2,359
Non-current					
Security deposits		749	1,955	-	-
Prepayments		1,833	3,833	1,833	3,833
Other		123	207	-	207
		2,705	5,995	1,833	4,040

19. Investments

In thousands of AUD	*Note*	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Non-current investments					
Investments in subsidiaries		-	-	462,061	195,169

In April 2008, SP Telemedia Limited acquired 100% of the shares in TPG Holdings Pty Ltd, and in May 2008 it acquired the minority shareholders' interests in Chariot Limited. These two acquisitions increased the value of the Company's investments in subsidiaries in the year by $266.9 million. Refer note 8 for more detail on these acquisitions.

In accordance with AASB 136, 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 based on the Board approved budgeted earnings before interest, tax, depreciation, and amortisation ("EBITDA") for the year to 31 July 2009, extrapolated based on revenue and margin growth assumptions to cover a 5 year period and incorporating a terminal value. Management and the Board consider this appropriate as revenue and margin growth will approximate to cashflow growth. The net projected growth rate in cashflows is 2% per annum in years 2 to 5. In the terminal phase beyond year 5 the growth rate used was 0%. A pre-tax discount rate of 15% 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 financial year 2008, the results from this exercise indicated that no impairment loss needed to be recognised. In financial year 2007, an impairment loss of $42.7 million was recognised in the Company's administrative expenses in the income statement in relation to its investment in Soul Communications Pty Ltd.

20. Current tax assets and liabilities

Current tax assets represent the amount of income tax 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 Consolidated Entity (2007: $308,000) or for the Company (2007: $nil) at 31 July 2008.

Current tax liabilities represent the amount of income taxes payable in respect of current and prior financial periods. The current tax liability at 31 July 2008 for the Consolidated Entity was $8,005,000 (2007: $14,727,000) and this includes $7,493,000 relating to the income tax payable by one of the subsidiaries, TPG Holdings Pty Ltd, prior to entering the tax consolidated group on 7 April 2008. The current tax liability at 31 July 2008 of the Company was $512,000 (2007: $14,727,000) and this represents the income tax payable by all members of the tax consolidated group.

21. Assets held for sale

In the comparative 2007 financial year, assets acquired in the formerly held jointly-controlled entity, B Shop Telecommunications Pty Ltd were presented as held for sale. The assets held for sale consisted of fit outs, fixtures and fittings for retail stores and were carried at a fair value of $500,000 at 31 July 2007. In the current financial year these assets have been written off. As a result, there were no assets held for sale at 31 July 2008.

22. 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	2008	2007	2008	2007	2008	2007
Property, plant and equipment	(457)	-	4,679	5,413	4,222	5,413
Intangible assets	-	-	29,189	10,141	29,189	10,141
Receivables	(6,891)	(1,385)	2,609	4,204	(4,282)	2,819
Inventories	(306)	-	-	-	(306)	-
Interest-bearing loans and borrowings	-	-	871	-	871	-
Employee benefits	(1,175)	(1,195)	-	-	(1,175)	(1,195)
Payables	(824)	-	-	-	(824)	-
Provisions	(601)	(995)	-	-	(601)	(995)
Other items	(966)	(686)	-	-	(966)	(686)
Unearned revenue	(3,898)	(5,226)	-	-	(3,898)	(5,226)
Tax value of loss carry-forwards recognised	(5,180)	(8,452)	-	-	(5,180)	(8,452)
Tax (assets)/liabilities	(20,298)	(17,939)	37,348	19,758	17,050	1,819
Set off of tax	20,298	17,939	(20,298)	(17,939)	-	-
Net tax (assets)/liabilities	-	-	17,050	1,819	17,050	1,819

The Company	Assets		Liabilities		Net	
In thousands of AUD	2008	2007	2008	2007	2008	2007
Other items	(271)	-	-	-	(271)	-
Tax value of loss carry-forwards recognised	(5,107)	(8,452)	-	-	(5,107)	(8,452)
Equity raising costs	(129)	(363)	-	-	(129)	(363)
Tax (assets)	(5,507)	(8,815)	-	-	(5,507)	(8,815)
Set off of tax	-	-	-	-	-	-
Net tax (assets)	(5,507)	(8,815)	-	-	(5,507)	(8,815)

At 31 July 2008, a deferred tax liability of $14,853,000 (2007: $14,853,000) 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.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

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

In thousands of AUD	Balance 1 August 2006	Recognised in profit or loss	Recognised in equity	Tax losses transferred on tax consolidation	Included in disposal group [note 7]	Balance 31 July 2007	Recognised in profit or loss	Recognised in equity	Acquired in business combinations	Tax losses transferred on tax consolidation	Balance 31 July 2008
Consolidated											
Receivables	2,493	214	-	-	112	2,819	(6,912)	-	(189)	-	(4,282)
Property, plant and equipment	2,264	2,720	-	-	429	5,413	(717)	-	(474)	-	4,222
Intangible assets	18,231	(7,637)	(204)	-	(249)	10,141	(5,985)	(204)	25,237	-	29,189
Inventories	2	55	-	-	(57)	-	(298)	-	(8)	-	(306)
Interest-bearing loans and borrowings	46	(46)	-	-	-	-	258	-	613	-	871
Payables	(248)	170	-	-	78	-	(741)	-	(83)	-	(824)
Investments	(366)	380	-	-	(14)	-	-	-	-	-	-
Unearned revenue	(9,072)	3,846	-	-	-	(5,226)	1,328	-	-	-	(3,898)
Provisions	(750)	(257)	-	-	12	(995)	895	-	(501)	-	(601)
Employee benefits	(1,726)	(407)	-	-	938	(1,195)	558	-	(538)	-	(1,175)
Other items	(640)	(46)	-	-	-	(686)	473	-	(753)	-	(966)
Tax loss carry-forwards	(8,454)	2	-	-	-	(8,452)	3,702	-	(430)	-	(5,180)
	1,780	(1,006)	(204)	-	1,249	1,819	(7,439)	(204)	22,874	-	17,050
Company											
Equity raising costs	(631)	268	-	-	-	(363)	234	-	-	-	(129)
Other items	(8)	8	-	-	-	-	(271)	-	-	-	(271)
Tax loss carry-forwards	(121)	445	-	(8,776)	-	(8,452)	14,314	-	-	(10,969)	(5,107)
	(760)	720	-	(8,776)	-	(8,815)	14,277	-	-	(10,969)	(5,507)

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

23. 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 2006		5,625	155,214	1,216	821	6,676	**169,552**
Disposal of discontinued operation		(5,565)	(31,366)	-	-	(6,676)	**(43,607)**
Additions		-	29,391	-	1,618	-	**31,009**
Disposals		-	(792)	-	-	-	**(792)**
Lease payouts		-	789	-	(789)	-	**-**
Write-downs and write-offs		-	(2,572)	-	-	-	**(2,572)**
Balance at 31 July 2007		60	150,664	1,216	1,650	-	**153,590**
Balance at 1 August 2007		60	150,664	1,216	1,650	-	**153,590**
Acquisitions through business combinations		-	24,916	44	-	-	**24,960**
Additions		-	17,945	6	1,095	-	**19,046**
Disposals		-	(126)	-	-	-	**(126)**
Lease payouts		-	-	-	-	-	**-**
Write-downs and write-offs		-	(279)	(1,147)	(275)	-	**(1,701)**
Balance at 31 July 2008		60	193,120	119	2,470	-	**195,769**

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

23. Property, plant and equipment (continued)

Consolidated

In thousands of AUD	Land	Plant and equipment	Leasehold improvements	Leased assets	Buildings	Total
Depreciation and impairment losses						
Balance at 1 August 2006	-	19,685	345	427	299	**20,756**
Depreciation charge for the year	-	17,374	212	197	113	**17,896**
Disposal of discontinued operation	-	(2,662)	-	-	(412)	**(3,074)**
Disposals	-	(239)	-	-	-	**(239)**
Lease payouts	-	516	-	(516)	-	**-**
Write-downs and write-offs	-	(2,533)	-	-		**(2,533)**
Balance at 31 July 2007	-	32,141	557	108	-	**32,806**
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**
Carrying amounts						
At 1 August 2006	5,625	135,529	871	394	6,377	**148,796**
At 31 July 2007	60	118,523	659	1,542	-	**120,784**
At 1 August 2007	60	118,523	659	1,542	-	**120,784**
At 31 July 2008	60	135,703	46	1,785	-	**137,594**

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

23. 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 2008, the net carrying amount of leased plant and equipment was $1,785,000 (2007: $1,542,000). The leased plant and equipment secures lease obligations (see note 26).

24. Intangible assets

Consolidated

In thousands of AUD	2008	2007
Current		
Net capitalised deferred subscriber acquisition costs		
Balance 1 August	59,856	122,074
Additions	35,970	26,969
Written-off	(50,002)	(89,186)
Balance 31 July	45,824	59,856
Amortisation		
Balance 1 August	30,645	85,384
Amortisation	32,676	34,447
Written-off	(42,217)	(89,186)
Balance 31 July	21,104	30,645
Carrying amounts		
At 1 August	29,211	36,690
At 31 July	24,720	29,211

24. Intangible assets (continued)

Consolidated

In thousands of AUD **Non-current**	Goodwill	Acquired customer bases	Trademark	Internally generated software	Indefeasible right of use of capacity	TV licence	Development costs	Total
Cost								
Balance at 1 August 2006	87,243	28,341	-	-	-	125,000	2,259	242,843
Acquisitions through business combinations	36	-	-	-	-	-	-	36
Other acquisitions	-	-	-	-	-	-	271	271
Disposal of discontinued operation	(25,782)	-	-	-	-	(125,000)	(1,071)	(151,853)
Balance 31 July 2007	61,497	28,341	-	-	-	-	1,459	91,297
Balance 1 August 2007	61,497	28,341	-	-	-	-	1,459	91,297
Acquisitions through business combinations	174,102	84,124	20,068	7,837	26,069	-	-	312,200
Balance 31 July 2008	235,599	112,465	20,068	7,837	26,069	-	1,459	403,497
Amortisation and Impairment								
Balance at 1 August 2006	-	17,345	-	-	-	-	209	17,554
Amortisation for the year	-	6,662	-	-	-	-	430	7,092
Disposal of discontinued operation	-	-	-	-	-	-	(246)	(246)
Balance 31 July 2007	-	24,007	-	-	-	-	393	24,400
Balance 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
Carrying amounts								
At 1 August 2006	87,243	10,996	-	-	-	125,000	2,050	225,289
At 31 July 2007	61,497	4,334	-	-	-	-	1,066	66,897
At 1 August 2007	61,497	4,334	-	-	-	-	1,066	66,897
At 31 July 2008	235,599	71,600	20,068	7,315	25,445	-	714	360,741

24. Intangible assets (continued)

Amortisation

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

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Cost of sales	32,676	34,447	-	-
Administrative expenses	18,356	7,092	-	-
	51,032	41,539	-	-

Impairment tests for cash generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the group'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 Pty Limited and its subsidiaries (TPG) during the 2008 financial year and the subsequent integration of the businesses and networks, it has been determined that there is now one single CGU within the business, now referred to as the TPG/Soul CGU. The goodwill previously allocated to the SPT Telecommunications and Soul Communications CGUs has now been aggregated with the goodwill generated on acquisition of TPG into the TPG/Soul CGU, as shown in the table below:

	Consolidated	
In thousands of AUD	**2008**	**2007**
TPG/Soul CGU	235,599	-
SPT Telecommunications CGU	-	28,906
Soul Communications CGU	-	32,591
	235,599	61,497

The recoverable amount of the goodwill in the TPG/Soul 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 CGU. The cashflow projections utilised were based on the Board approved budgeted earnings before interest, tax, depreciation and amortisation ("EBITDA") for the year to 31 July 2009, extrapolated based on revenue and margin growth assumptions to cover a 5 year period and incorporating a terminal value. Management and the Board consider this appropriate as revenue and margin growth will approximate to cashflow growth. The net projected growth rate in cashflows is 2% per annum in years 2 to 5. In the terminal phase beyond year 5 the growth rate used was 0%. A pre-tax discount rate of 15% 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.

25. Trade and other payables

	Consolidated		The Company	
In thousands of AUD	**2008**	**2007**	**2008**	**2007**
Trade payables and accrued expenses	60,316	37,460	197	216
Non-trade payables and accrued expenses	20,601	20,631	1,208	1,179
	80,917	58,091	1,405	1,395

The Consolidated Entity's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

26. 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 31.

		Consolidated		The Company	
In thousands of AUD	***Note***	**2008**	**2007**	**2008**	**2007**
Current liabilities					
Secured bank loans	*(i)*	9,375	7,500	6,000	7,500
Secured note facility	*(ii)*	2,000	-	-	-
Insurance premium funding		23	-	-	-
Finance lease liabilities		843	551	-	-
Liability under network capacity agreement	*(iii)*	10,053	-	-	-
Loans from controlled entities	*37*	-	-	27,665	5,797
		22,294	8,051	33,665	13,297
Non-current liabilities					
Secured bank loans	*(i)*	130,000	30,000	130,000	30,000
Finance lease liabilities		912	1,087	-	-
Liability under network capacity agreement	*(iii)*	6,717	-	-	-
		137,629	31,087	130,000	30,000

(i) On 22 April 2008, the Consolidated Entity repaid the $37.5m balance outstanding on its existing secured bank loan facility. On the same date it entered into a new secured bank loan facility to help finance the acquisition of TPG Holdings Pty Ltd. Under the new facility it originally drew down $150m, but repaid $14m before 31 July 2008, such that the balance outstanding at that date was $136m.

The old bank loan facility was secured by:

a) a fixed and floating charge over all of the assets of SP Telemedia Limited, Soul Pattinson Telecommunications Pty Ltd, SPT Telecommunications Pty Ltd and Kooee Mobile Pty Ltd; and
b) a mortgage over the shares in Soul Communications Pty Ltd and SPTCom Pty Ltd held by SP Telemedia Limited and Soul Pattinson Telecommunications Pty Ltd.

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

Bank loans totalling $3,375k (2007: $nil) in Chariot Limited are secured by a fixed and floating charge over the assets of that entity and its subsidiaries.

(ii) The secured notes in Chariot Limited are secured by a second ranking fixed and floating charge over the assets of that entity and its subsidiaries.

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

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

26. Loans and borrowings (continued)

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

Consolidated				**2008**		**2007**	
In thousands of AUD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan	AUD	BBSY + margin (1)	2011 (2)	136,000	136,000	-	-
Secured bank loan	AUD	11.9%	2008	3,375	3,375	-	-
Secured bank loan	AUD	BBSY + margin (1)	N/A	-	-	37,500	37,500
Secured note facility	AUD	31.2%	2008 (3)	2,000	2,000	-	-
Finance lease liabilities	AUD	6.9%	2010-2013	1,755	1,755	1,638	1,638
Liability under network capacity agreement	USD	8.65%	2010	16,770	16,770	-	-
Insurance premium funding	AUD	10.92%	2008	23	23	-	-
				159,923	159,923	39,138	39,138

Company				**2008**		**2007**	
In thousands of AUD	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured bank loan	AUD	BBSY + margin (1)	2011 (2)	136,000	136,000	-	-
Secured bank loan	AUD	BBSY + margin (1)	N/A	-	-	37,500	37,500
Loans from controlled entities	AUD	0%	-	27,665	27,665	5,797	5,797
				163,665	163,665	43,297	43,297

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

(2) Loan facility contains minimum repayment schedule: $6m to be repaid in FY 2009, $21m to be repaid in FY 2010, and $109m balance in FY 2011.

(3) Penalty interest of 31% is currently being paid by a subsidiary, Chariot Limited, on its secured note.

Finance lease liabilities

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

Consolidated

In thousands of AUD	**Minimum lease payments 2008**	**Interest 2008**	**Principal 2008**	**Minimum lease payments 2007**	**Interest 2007**	**Principal 2007**
Less than one year	958	(99)	859	644	(93)	551
Between one and five years	965	(69)	896	1,175	(88)	1,087
	1,923	(168)	1,755	1,819	(181)	1,638

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

27. Employee benefits

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Current				
Liability for annual leave	2,544	2,772	-	-
Non Current				
Liability for long-service leave	1,302	1,219	-	-

Share based payments

(i) Executive Share Option Plan

During the financial year 2007, Soul Communications Pty Ltd, a subsidiary of SP Telemedia Limited, and its consolidated group had in place an Executive Share Option Plan (ESOP) to selected executives to receive options to purchase ordinary shares of Soul Communications Pty Ltd.

All options vested on the 100% acquisition of Soul Communications by the Company in November 2006.

There were no outstanding share options during financial year 2008.

(ii) Executive Bonus Share Scheme

The Consolidated Entity suspended the operation of existing performance-linked compensation plans following the acquisition of TPG in April 2008 and is currently reviewing its options for implementing alternative incentive plans.

Prior to April 2008, the Consolidated Entity had in place an Executive Bonus Share Scheme for selected executives. The scheme was established 6 June 2005. The scheme provided for selected executives to receive ordinary shares in the Company. Under the terms of the scheme a bonus pool was established for the selected executives. The annual bonus pool was equal to 1.6% of the Consolidated Entity's profit before interest expense, income tax, intangible amortisation and significant items. Half of this bonus pool was paid as a cash bonus to the selected executives while the remaining half must be taken as shares through the bonus share scheme.

Under the bonus share scheme the executive received the voting rights and dividend entitlement to shares purchased under the scheme however they were unable to access the shares until they satisfied the continuity of service criteria. These shares vested to the employee at 20% per annum at the end of each of the following five years, provided they continued to be employed in the Consolidated Entity. If the employee terminated their employment, they forfeited 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 $456,640 (2007: $229,200) was paid into the executive bonus share scheme for the purchase of shares for the benefit of 20 (2007: 5) employees. During the year ended 31 July 2008, $252,640 (2007: $458,700) was recognised as an employee benefit expense.

28. Provisions

In thousands of AUD

Consolidated	Make good costs	Customer loyalty program	Lease increment	Other	Total
Balance 1 August 2007	65	100	164	-	329
Acquisitions through business combinations	521	-	-	132	653
Provisions made during the year	32	-	-	-	32
Provisions used during the year	(23)	-	(8)	-	(31)
Balance 31 July 2008	595	100	156	132	983
Current	595	100	-	132	827
Non-current	-	-	156	-	156
	595	100	156	132	983

The Company

There were no provisions in the Company at 31 July 2008 (2007: $nil)

Make good costs

The make good costs provision relates to the consolidated entity's estimated costs to make good leased premises used for retail telecommunications sales. 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
Notes to the consolidated financial statements
For the year ended 31 July 2008

29. Deferred income and other liabilities

In thousands of AUD	Consolidated 2008	Consolidated 2007	The Company 2008	The Company 2007
Current liabilities				
Unearned revenue	29,165	18,990	-	-
Income in advance	2,939	4,005	-	-
Accrued interest	355	-	355	
	32,459	22,995	355	-
Non-current liabilities				
Unearned revenue	8,214	6,622	-	-

30. 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 2006	272,883	(68)	363	(230)	1,864	-	21,679	296,491	21,772	318,263
Total recognised income and expense	-	94	-	-	-	-	44,937	45,031	(988)	44,043
Reversal of revaluation	-	-	-	-	(475)	-	-	(475)	-	(475)
Movement in treasury share reserve	-	-	-	230	-	-	-	230	-	230
Movement in share option reserve	-	-	77	-	-	-	-	77	88	165
Acquisition of minority interest	-	-	-	-	-	(52,482)	-	(52,482)	(20,872)	(73,354)
Transaction costs	(46)	-	-	-	-	-	-	(46)	-	(46)
Dividends to shareholders	-	-	-	-	-	-	(56,324)	(56,324)	-	(56,324)
Balance at 31 July 2007	**272,837**	**26**	**440**	**-**	**1,389**	**(52,482)**	**10,292**	**232,502**	**-**	**232,502**
Balance at 1 August 2007	272,837	26	440	-	1,389	(52,482)	10,292	232,502	-	232,502
Minority interest on acquisition of Chariot Limited	-	-	-	-	-	-	-	-	(1,124)	(1,124)
Total recognised income and expense	-	(156)	-	-	-	-	(18,783)	(18,939)	(150)	(19,089)
Transfers 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**

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

30. Capital and reserves (continued)

Reconciliation of movement in capital and reserves

The Company

In thousands of AUD	***Note***	**Share capital**	**Treasury share reserve**	**Retained earnings**	**Total equity**
Balance at 1 August 2006		272,883	(230)	98,011	370,664
Total recognised income and expense		-	-	4,631	4,631
Movement in treasury share reserve		-	230	-	230
Transaction costs		(46)	-	-	(46)
Dividends to shareholders		-	-	(56,324)	(56,324)
Balance at 31 July 2007		272,837	-	46,318	319,155
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 shareholders		-	-	(14,588)	(14,588)
Balance at 31 July 2008		384,693	(204)	24,665	409,154

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

30. Capital and reserves (continued)

Share capital

	The Company Ordinary shares 2008	The Company Ordinary shares 2007
On issue at 1 August	405,208,684	405,208,684
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	8,990,951	-
On issue at 31 July	684,199,638	405,208,684

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 8 for details regarding the acquisition of the minority interest in Chariot Limited (2008 financial year) and B Digital Limited (2007 financial year).

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

30. 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
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		
2007				
Special 2007 ordinary	11.5	46,599	Franked	25 July 2007
Interim 2007 ordinary	1.2	4,863	Franked	22 May 2007
Final 2006 ordinary	1.2	4,862	Franked	22 November 2006
Total amount		56,324		

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

The directors have determined that following the fully franked special dividend of 2.4 cents per share paid to equity holders on the register as of 17 April 2008 (which accordingly did not include shares issued as part consideration for the acquisition of TPG Holdings Limited – refer note 8) a final dividend will not be paid in respect of the 2008 financial year.

	The Company	
	2008	2007
Dividend franking account		
In thousands of AUD		
30 per cent franking credits available to shareholders of SP Telemedia Limited for subsequent financial years	12,060	17,022

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. There has not been a dividend proposed after the balance sheet date and, therefore, no dividend franking account impact to consider. Correspondingly in the 2007 year, the impact on the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability was to reduce it by $2,083,930.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

31. 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***	**2008**	**2007**	**2008**	**2007**
Current assets					
Trade and other receivables	*16*	64,483	68,209	98	72
Cash and cash equivalents	*15*	14,053	80,654	107	69,796
Non-current					
Receivables *	*16*	2,804	-	103,460	98,333
		81,340	148,863	103,665	168,201

* The amount outstanding at 31 July 2008 and at 31 July 2007 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***	**2008**	**2007**	**2008**	**2007**
Type of customer					
Government		6,397	11,875	-	-
Corporate		9,393	7,353	-	-
Wholesale		7,526	8,522	-	-
Retail		50,547	40,589	-	-
	16	73,863	68,339	-	-

The Consolidated Entity has 68% (2007: 59%) of its customers attributable to retail. 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
Notes to the consolidated financial statements
For the year ended 31 July 2008

31. 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*	2008	2007	2008	2007
Geographical region					
Australia		73,057	67,894	-	-
New Zealand		143	266	-	-
United States		172	59	-	-
Other		491	120	-	-
	16	73,863	68,339	-	-

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

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*	2008	2007	2008	2007
Aging of customer					
Not past due		27,715	37,992	-	-
Past due 0-30 days		17,181	10,492	-	-
Past due 31-60 days		10,290	4,520	-	-
Past due 61-90 days		5,512	4,106	-	-
Past due 91-120 days		4,218	3,227	-	-
Past due 121 days		8,947	8,002	-	-
Gross trade receivables	*16*	73,863	68,339	-	-
Less: Impairment losses	*16*	(23,844)	(12,641)	-	-
Net trade receivables		50,019	55,698	-	-

The impairment losses of the Consolidated Entity at 31 July 2008 of $23,844,000 (2007: $12,641,000) represent the 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
Notes to the consolidated financial statements
For the year ended 31 July 2008

31. 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 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)	-

31 July 2007 *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		37,500	(42,451)	(8,561)	(1,061)	(2,122)	(30,707)	-
Finance lease liabilities		1,638	(1,819)	(326)	(318)	(635)	(540)	-
Bank overdraft facility		10	(10)	(10)	-	-	-	-
Trade and other payables		58,091	(58,091)	(58,091)	-	-	-	-
		97,239	(102,371)	(66,988)	(1,379)	(2,757)	(31,247)	-

Company

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)	-

31 July 2007 *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		37,500	(42,451)	(8,561)	(1,061)	(2,122)	(30,707)	-
Bank overdraft facility		10	(10)	(10)	-	-	-	-
Trade and other payables		1,395	(1,395)	(1,395)	-	-	-	-
		38,905	(43,856)	(9,966)	(1,061)	(2,122)	(30,707)	-

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

31. 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, based on notional amounts:

Consolidated

In thousand of AUD	AUD equivalent	NZD	USD	PP	AUD equivalent	NZD	USD	PP
	31 July 2008				31 July 2007			
Trade receivables	676	177	513	-	323	232	101	-
Other financial assets	654	553	5	9,540	419	416	44	-
Trade payables	(3,710)	(55)	(3,366)	(5,324)	(175)	(71)	(96)	-
Other financial liabilities	(16,770)	-	(15,932)	-	-	-	-	-
Gross balance sheet exposure	(19,150)	675	(18,780)	4,216	567	577	49	-

The Company had no exposure to foreign currency risk at 31 July 2008 (2007: $nil).

The following significant exchange rates applied during the year:

In AUD	Average rate		Reporting date spot rate	
	2008	2007	2008	2007
NZD	1.19	1.15	1.30	1.13
USD	0.91	0.80	0.95	0.86
PP	39.84	39.45	42.59	40.71

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 2007.

	Consolidated		Company	
In thousands of AUD	Equity	Profit or loss	Equity	Profit or loss
31 July 2008				
NZD	(47)	(47)	-	-
USD	1,797	1,797	-	-
PP	(9)	(9)	-	-
31 July 2007				
NZD	(47)	(47)	-	-
USD	(5)	(5)	-	-
PP	-	-	-	-

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
Notes to the consolidated financial statements
For the year ended 31 July 2008

31. 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*	2008	2007	2008	2007
Fixed rate instruments					
Financial assets		-	-	-	-
Financial liabilities		(18,548)	(1,638)	-	-
		(18,548)	(1,638)	-	-
Variable rate instruments					
Financial assets		14,053	80,654	107	69,796
Financial liabilities		(141,375)	(37,510)	(136,000)	(37,510)
		(127,322)	43,144	(135,893)	32,286

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 2007.

	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 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
31 July 2007								
Variable rate instruments	431	(431)	431	(431)	323	(323)	323	(323)
Cash flow sensitivity	431	(431)	431	(431)	323	(323)	323	(323)

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

31. 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 2008		31 July 2007	
In thousands of AUD	Carrying amount	Fair value	Carrying amount	Fair value
Trade debtors and other receivables	67,287	67,287	68,209	68,209
Cash and cash equivalents	14,053	14,053	80,654	80,654
Secured bank loans	(139,375)	(139,375)	(37,500)	(37,500)
Secured notes	(2,000)	(2,000)	-	-
Insurance premium funding	(23)	(23)	-	-
Finance lease liabilities	(1,755)	(1,755)	(1,638)	(1,638)
Trade and other payables	(80,917)	(80,917)	(58,091)	(58,091)
Bank overdraft facility	-	-	(10)	(10)
	(142,730)	(142,730)	51,624	51,624

Company	31 July 2008		31 July 2007	
In thousands of AUD	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	103,558	103,558	98,405	98,405
Cash and cash equivalents	107	107	69,796	69,796
Secured bank loans	(136,000)	(136,000)	(37,500)	(37,500)
Trade and other payables	(1,405)	(1,405)	(1,395)	(1,395)
Bank overdraft facility	-	-	(10)	(10)
	(33,740)	(33,740)	129,296	129,296

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

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

32. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Less than one year	18,423	6,239	-	-
Between one and five years	41,655	11,651	-	-
More than five years	912	1,160	-	-
	60,990	19,050	-	-

33. Capital and other commitments

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Capital expenditure commitments				
Plant and equipment				
Contracted but not provided for and payable:				
Within one year	6,983	8,659	-	-
One year or later and no later than five years	44	5,307	-	-
	7,027	13,966	-	-

34. 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

(i) Under the terms of a Deed of Cross Guarantee (refer note 39) the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries.

(ii) The Company has guaranteed the bank facilities of certain controlled entities.

Litigation

The Company (or its subsidiaries) are parties to various legal cases, as plaintiff, defendant, counter-claimant or counter-defendant. These cases respectively involve existing or former dealers, customers, or suppliers and have arisen in the ordinary course of the business of the company.

The claims are subject to significantly divergent allegations of fact and assertions of law and, as such, the quantum and timing of any potential outflows relating to such legal cases cannot be reliably estimated.

In the opinion of directors, the likelihood of significant cash outflows relating to these legal 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
Notes to the consolidated financial statements
For the year ended 31 July 2008

35. Consolidated entities

The following is the list of all entities that form part of the Consolidated Entity at 31 July 2008:

	Country of Incorporation	Ownership interest (%)	
		2008	**2007**
Parent entity			
SP Telemedia Limited	Australia		
Subsidiaries			
TPG Holdings Pty Ltd	Australia	100	-
TPG Internet Pty Ltd	Australia	100	-
Value Added Network Pty Ltd	Australia	100	-
TPG Network Pty Ltd	Australia	100	-
TPG Research Pty Ltd	Australia	100	-
TPG Broadband Pty Ltd	Australia	100	-
Orchid Cybertech Services Incorporated	Philippines	99.99	-
Orchid Human Resources Pty Ltd	Australia	100	-
Chariot Limited	Australia	100	-
Ominet Wireless Pty Ltd (in Liquidation)	Australia	100	-
Alphalink (Australia) Pty Ltd (in Liquidation)	Australia	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
For the year ended 31 July 2008

36. Reconciliation of cash flows from operating activities

	Consolidated		The Company	
In thousands of AUD	2008	2007	2008	2007
Cash flows from operating activities				
(Loss)/profit for the year after income tax	(18,933)	43,905	(7,065)	47,283
Adjustments for:				
Depreciation of plant and equipment	19,670	17,896	-	-
Impairment of plant and equipment	7,756	-	-	-
Amortisation	51,032	41,539	-	-
Bad and doubtful debts	23,420	7,475	-	-
Prepaid advertising written-off	2,000	167	2,000	167
Borrowing costs written-off	534	446	534	446
Employee share plan expense	254	130	254	130
Unrealised foreign exchange (gain)/loss	(259)	54	-	-
Interest income	(4,622)	(4,511)	(2,389)	(2,545)
Interest expense	6,484	8,496	5,475	5,960
Dividends from controlled entities	-	-	-	-
Share of profit of associates net of dividends received	-	-	-	-
Net gain on sale of discontinued operation, net of tax	-	(31,875)	-	(50,632)
Net gain on sale on non-current assets	(87)	(4)	-	-
Income tax (benefit)/expense	(4,731)	3,027	(92)	(1,483)
Operating profit before changes in working capital and provisions	82,518	86,745	(1,283)	(674)
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	(20,131)	5,288	(44)	(67)
(Increase)/decrease in inventories	2,082	(97)	-	-
(Increase)/decrease in other assets	(2,448)	1,386	9	(1,136)
(Increase)/decrease in intangible assets	(19,990)	(27,477)	-	-
(Decrease)/increase in trade and other payables	(1,070)	(1,332)	113	21
(Decrease)/increase in other liabilities	(4,138)	(18,953)	-	-
(Decrease)/increase in employee benefits	(1,730)	328	-	-
(Decrease)/Increase in provisions	1,683	(2,562)	-	-
	36,776	43,326	(1,205)	(1,856)
Interest paid	(5,876)	(6,858)	(5,096)	(5,503)
Income taxes (paid)/refunded	(17,268)	(9,572)	(12,805)	15
Interest received	3,438	2,937	2,394	2,135
Net cash from operating activities	17,070	29,833	(16,712)	(5,209)

37. 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	
Current	
Mr David Teoh	appointed 7 April 2008
Chairman	
Mr Alan Latimer	appointed 7 April 2008
Non-executive directors	
Current	
Mr Robert Millner	retired position of Chairman 7 April 2008
former Chairman	
Mr Denis Ledbury	
Mr Joseph Pang	appointed 7 April 2008
Former	
Mr Michael Millner	resigned 7 April 2008
Mr David Fairfull	resigned 7 April 2008
Mr Peter Robinson	resigned 7 April 2008
Mr William Cleaves	resigned 7 April 2008
Mr Andrew Gordon	resigned 22 March 2007
Executives	
Current	
Mr Witold Piestrzynski	appointed 7 April 2008
Chief Operating Officer	
Mr Stephen Banfield	
Chief Financial Officer and Company Secretary	
Ms Mandie De Ville	
Chief Information Officer	
Former	
Mr Michael Simmons	resigned 7 May 2008
Chief Executive Officer – Telecommunications	
Mr Jeff Eather	left Consolidated Entity when NBN
Chief Executive Officer – Media	Enterprises Pty Ltd was sold 8 May 2007
Mr Steve Legge	resigned 7 April 2008
Chief Operating Officer	
Mr Steve Mitchinson	resigned 12 September 2007
General Manager - Consumer Operations	
Mrs Karen Langtry	resigned 31 July 2008
Operations Manager - Consumer Operations	
Mr George Savva	resigned 31 January 2008
General Manager - Consumer Sales	
Mr Warwick Pye	resigned 14 June 2007
Group Sales Manager	
Ms Deborah Wright	left Consolidated Entity when NBN
NBN Station Manager	Enterprises Pty Ltd was sold 8 May 2007

37. Related parties (continued)

Key management personnel compensation

The key management personnel compensation included in 'employee benefits' (see note 27) is as follows:

	Consolidated		The Company	
In AUD	**2008**	**2007**	**2008**	**2007**
Short-term employee benefits	2,076,015	3,396,287	361,778	591,858
Post-employment benefits	533,639	498,573	117,820	52,605
Other long term	731,727	-	-	-
Termination benefits	523,245	693,554	-	-
Equity compensation benefits	80,782	559,701	-	-
	3,945,408	5,148,115	479,598	644,463

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 13 to 18.

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 2008 was $28,600 (2007: $nil).

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)

At the beginning of the year ended 31 July 2007, Mr J Eather had an interest free loan of $109,500 in relation to retirement benefits. This loan was recognised in the NBN Television group which was sold during the previous financial year and as a result there was no loan owing to the consolidated group as at 31 July 2007. There were no such loans made during the year ended 31 July 2008.

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 2008

37. Related parties (continued)

Options and rights over equity instruments

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

The movement during the 2007 financial year in the number of options over ordinary shares in Soul Communications Pty Ltd held, directly, indirectly or beneficially, by each key management person, including their related parties, was as follows:

	Held at 1 August 2006	Granted as compensation	Exercised	Expired	Held at 31 July 2007	Vested during the year	Vested and exercisable at 31 July 2007
Options in Soul Communications Pty Ltd							
Executives							
Mr S Mitchinson	173,200	-	173,200	-	-	173,200	-
Mrs K Langtry	158,800	-	158,800	-	-	158,800	-
Mr G Savva	46,000	-	46,000	-	-	46,000	-

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

37. Related parties (continued)

Movements in shares

	Held at 1 August 2007	Purchases	Granted as remuneration	Received as consideration for sale of shares in TPG Holdings Limited	Held at 31 July 2008
Shares in SP Telemedia Limited					
Directors					
Mr D Teoh (3)	-	-	-	261,172,492	261,172,492
Mr R Millner (4)	2,695,784	500,000	-	-	3,195,784
Mr D Ledbury	178,223	-	-	-	178,223
Mr A Latimer (3)	-	-	-	1,174,102	1,174,102
Mr J Pang (3)	-	-	-	-	-
Mr M Millner (1)	2,059,399	500,000	-	-	Not applicable
Mr P Robinson (1)	123,556	-	-	-	Not applicable
Mr D Fairfull (1)	144,445	-	-	-	Not applicable
Mr W Cleaves (1)	49,889	-	-	-	Not applicable
Executives					
Mr M Simmons (2)	45,393	-	-	-	Not applicable
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

(1) Resigned as a Director on 7 April 2008
(2) Ceased to be key management personnel on 7 May 2008
(3) Appointed as a Director on 7 April 2008
(4) Opening balance has been corrected for interests omitted in prior year's report

	Held at 1 August 2006	Purchases	Held at 31 July 2007
Shares in SP Telemedia Limited			
Directors			
Mr R Millner (4)	2,193,544	502,240	2,695,784
Mr M Millner	1,763,522	295,877	2,059,399
Mr P Robinson	123,556	-	123,556
Mr D Fairfull	144,445	-	144,445
Mr D Ledbury	178,223	-	178,223
Mr W Cleaves	49,889	-	49,889
Executives			
Mr M Simmons	45,393	-	45,393
Mr J Eather (5)	108,500	-	Not applicable

(4) Prior year comparatives have been corrected for interests omitted in prior year's report.
(5) Ceased to be key management personnel on 8 May 2007.

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

37. Related parties (continued)

Movements in shares (continued)

There were no shares in Soul Communications Pty Ltd held by any key management personnel subsequent to its 100% acquisition by the Company in November 2006.

The movement during the prior reporting period in number of ordinary shares in Soul Communications Pty Ltd held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 August 2006	Purchases	Received on exercise of options	Sales	Held at 31 July 2007
Shares in Soul Communications Pty Ltd					
Directors					
Mr D Ledbury	50,000	-	-	50,000	-
Mr W Cleaves	15,000	-	-	15,000	-
Executives					
Mr M Simmons	33,000	-	-	33,000	-
Mr J Eather	77,000	-	-	77,000	-

Identity of related parties

The Consolidated Entity has a related party relationship with its subsidiaries (see note 35) 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 2008 financial year, the Company received $7,567,949 from one of its subsidiaries, Soul Pattinson Telecommunications Pty Ltd, as part repayment of an existing loan. During the 2007 financial year, $27,614,938 was loaned to 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 2008, the amount owed to the Company was $85,314,716 (2007: $92,882,665).

During the 2008 financial year, the Company loaned $6,867,280 to one of its subsidiaries, SPTCom Pty Ltd, increasing the amount receivable for an existing loan. During the 2007 financial year, $5,075,495 was received from SPTCom Pty Ltd. Interest is not charged on the loan and there is no fixed date for the balance of the loan to be repaid. At 31 July 2008, the amount owed to the Company was $8,245,880 (2007: $1,378,600).

During the 2008 financial year, the Company received $123,638 from one of its subsidiaries, SPT Telecommunications Pty Ltd, as part repayment of an existing loan. During the 2007 financial year, $4,067,772 was loaned to SPT 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 2008, the amount owed to the Company was $9,898,000 (2007: $4,067,772).

SP Telemedia Limited and its controlled entities
Notes to the consolidated financial statements
For the year ended 31 July 2008

37. Related parties (continued)

Other related party transactions (continued)

Subsidiaries (continued)

During the 2008 financial year, the Company received $1,540,929 from one of its subsidiaries, Soul Communications Pty Ltd, increasing the amount payable of an existing loan. During the 2007 financial year, $5,796,796 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 2008, the amount owed by the Company was $7,337,725 (2007: $5,796,796).

During the 2008 financial year, the Company was loaned $24,309,095 by one of its subsidiaries, TPG Holdings Pty Ltd, and repaid $3,982,252 in the same year. Interest is not charged on the loan and there is no fixed date for the loan to be repaid. At 31 July 2008, the amount owed by the Company was $20,326,843. TPG Holdings Pty Ltd commenced as a subsidiary on 8 April 2008.

During the 2007 financial year, the Company repaid $14,240,425 and loaned $27,002,559 to one of its former subsidiaries, NBN Limited. Interest was charged on the loan at a weighted average market rate on a monthly basis. The loan was forgiven in full during the previous financial year as an agreed condition on sale of the subsidiary. At 31 July 2007, the amount owed by the Company was $Nil. NBN Limited ceased to be a subsidiary on 8 May 2007.

During the 2007 financial year, the Company received $4,000,000 from one of its former subsidiaries, NBN Enterprises Pty Ltd, that was advanced to it in the 2006 financial year. Interest was not charged on the loan and the loan was repaid in full during the 2007 financial year. At 31 July 2007, the amount owed by the Company was $Nil. NBN Enterprises Pty Ltd ceased to be a subsidiary on 8 May 2007.

Parent Entity

During the 2007 financial year, the Consolidated Entity repaid a loan of $29,742,002 to its then parent entity Washington H Soul Pattinson and Company Limited that was advanced to it in the 2006 financial year. Interest was charged on the loan at 6.7%. At 31 July 2007, the amount owed to the Company was $Nil. There were no such loan transactions during the 2008 financial year.

38. 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.

39. 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 Limited

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 2008

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 90, 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 2008 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 35 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 2008 required by Section 295A of the *Corporations Act 2001*.

Dated at Sydney this 17th day of October 2008.

Signed in accordance with a resolution of the directors:

David Teoh
Director

KPMG

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 2008, 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 39 and the directors' declaration set out on page 91 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.

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 2008 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 13 to 18 of the directors' report for the year ended 31 July 2008. 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 2008, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Kevin Leighton
Partner
Sydney

17 October 2008

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 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

17 October 2008

SP Telemedia Limited and its controlled entities
ASX additional information
For the year ended 31 July 2008

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 30 September 2008)

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

Shareholder	Number
David Teoh and Vicky Teoh	261,172,492
Washington H Soul Pattinson and Company Limited	187,744,838
WIN Corporation Pty Ltd	45,740,923

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	723
1,001 - 5,000	1,382
5,001 - 10,000	890
10,000 - 100,000	1,693
100,000 and over	230
	4,918

The number of shareholders holding less than a marketable parcel of ordinary shares is 1,651.

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 2008

Twenty largest shareholders

Name of shareholder	Number of ordinary shares held	Percentage of capital held
Washington H Soul Pattinson and Company Limited 1	180,144,838	26.33
Mr David Teoh	130,629,731	19.09
Mrs Vicky Teoh	130,542,761	19.08
WIN Corporation Pty Limited 1	36,179,265	5.29
RBC Dexia Investor Services Australia Nominees Pty Limited	17,831,910	2.61
WIN Corporation Pty Limited 2	9,561,658	1.40
Washington H Soul Pattinson and Company Limited 2	7,600,000	1.11
Farjoy Pty Limited	5,021,921	0.73
J P Morgan Nominees Australia Limited	4,482,032	0.66
Mr Francis Albert Robertson	4,300,000	0.63
Ms Seng Bee Teoh and Mr Sin Mong Wong	3,445,605	0.50
Brickworks Investment Company Limited	3,322,223	0.49
JS Millner Holdings Pty Ltd	3,003,654	0.44
Mr John Eric Paine	2,600,000	0.38
Mr Witold Maciej Piestrzynski	2,303,352	0.34
Mr Noel Francis Mitchell	2,110,000	0.31
Citicorp Nominees Pty Ltd	2,039,895	0.30
Milton Corporation Limited	1,776,588	0.26
Mr Andrew Graeme Moffat and Mrs Elizabeth Ann Moffat	1,714,709	0.25
Choiseul Investments Limited	1,680,517	0.25
	550,290,659	**80.45**

Principal Registered Office

11-17 Mosbri Crescent
Newcastle NSW 2300

Telephone: 02 4929 2933

Location of Share Registry

Computershare Registry Services Pty Ltd
Level 3, 60 Carrington Street
Sydney NSW 1115

Telephone: 02 8234 5000