

DIRECTORS:

ROBERT D. MILLNER
Chairman of Directors
Director since 2000

MICHAEL J. MILLNER
Non-Executive Director – Deputy Chairman
Director since 2000

PETER R. ROBINSON
B.Comm.
Non-Executive Director
Director since 2000

DAVID J. FAIRFULL
B.Comm., A.C.I.S., C.P.A., A.S.I.A.
Non-Executive Director
Director since 2000

DENIS LEDBURY
B.Bus., A.I.C.D.
Non-Executive Director
Director since 2000

WILLIAM P. CLEAVES
Solicitor & Barrister
Non-Executive Director
Director since 2004

SECRETARY:

NICHOLAS DUNN
B.Comm., CA

AUDITORS:

PRICEWATERHOUSECOOPERS
Chartered Accountants

REGISTERED OFFICE:

11-17 Mosbri Crescent
NEWCASTLE NSW 2300

SHARE REGISTER:

Computershare Registry Services Pty. Limited
Level 3, 60 Carrington Street, Sydney, N.S.W. 1115
Telephone: (02) 8234 5000

S P Telemedia Limited and its Controlled Entities
ABN 46 093 058 069

Chairman's Review

The previous twelve months have been the busiest in the Company's short history, with a number of strategic investments lifting the Company's future growth potential significantly. These investments have created three operating divisions within the company, being Media, Telecommunications Infrastructure and Retail Telecommunications. These investments were staggered throughout the year and as such Profit contributions vary accordingly.

For the year ended 31st July 2005, the Company reported Net Profit after Tax of \$16.499M, 71% up on last years profit of \$9.659M.

Net profit after Tax before Goodwill Amortisation, was \$19.195M, which was 99% greater than last year's Profit.

Earnings per share on this figure is 5.6 cents compared with 4.9 cents last year. The EPS calculation is based on the Company's increased share base following the 4:9 rights issue and allocation to Washington H Soul Pattinson and Company Limited for the acquisition of the NBN Group, and the 25 million share placement to fund the acquisition of B Digital shares.

The Directors have recommended a final dividend of 1.2 cents per share, making total dividends for the year 2.2 cents. This represents a payout ratio of approximately 47% of Profits after Tax, and in dollar terms is double last year's payout.

Group revenue increased significantly over the 12 months, with revenue of \$227M, compared to last year's figure of \$17M.

The acquisition of the NBN Television Group for \$145 million took effect from the commencement of the financial year, and contributed Net Profit after Tax of \$7.972M to the Group result.

NBN is affiliated with the Nine Network and operates in the Northern NSW/Gold Coast region, representing Australia's fourth largest television market.

NBN's results were based on revenue growth of 6.2%, and it is noteworthy that NBN completed the 2004 calendar year as Australia's Highest Rating Television Station and at the date of this report, were sitting in top position for the 2005 year to date. NBN's strength in News has ensured that it has buffered a large amount of the ratings losses incurred by the Nine Network in 2005, with NBN having won each and every week so far in the 2005 ratings, and increasing its prime time audience in key demographics.

A subsidiary of SOT, SPTCom Pty Limited, acquired the business and assets of Comindico Limited from the appointed Receivers for \$27.5M on 1st December 2004. SOT owned 100% of this business until 21st April 2005, when B Digital Limited acquired 50% under the terms of the Strategic Alliance with B Digital.

The assets acquired give the Group access to a state of the art national Internet Protocol Network, that interconnects with Telstra at all 66 Call Collection Areas across the country, enabling local call termination to over 98% of the Australian population.

The new Network and existing SPT Network adopt IP based networking, which is best suited to carrying voice, data and video. Much work has been done with this business during the financial year to rationalise its operations and integrate its telecommunications network infrastructure into the SPT core network.

The acquisition of the former Comindico business has resulted in the Group now owning and controlling the largest independent IP based voice network in Australia. This supplements and matches perfectly the SPT broadband data network which is also IP based and the largest independent regional access network in Australia.

SPT Com Pty Ltd contributed a loss to the SOT Group for the financial year of \$2.369M. A proportion of this loss is applicable to restructuring costs incurred since the acquisition of the business and assets of the former Comindico companies.

The Strategic Alliance with B Digital Limited took effect from the 21st April 2005. This alliance involved the sale by the Group of 50% of SPTCom Pty Limited (acquirer of the Comindico business) and 100% of Kooee Communications Pty Limited. The Company was issued with 240 million shares or 29% of the issued capital of B Digital as consideration as well as \$13.75 million cash. The Company acquired an additional 115 million shares to take its total holding in B Digital to 42.9%.

B Digital is one of Australia's largest consumer retail service providers, with over 550,000 mobile, fixed line and internet customers. They have extensive call centre and billing operations, and will provide the Group with a platform to sell services to SPT's growing Corporate, Government Business SME and residential client base.

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B Digital recently announced an annual Profit after Tax before Goodwill Amortisation of \$24.6M for 04/05.

Apart from these financial investments, the Company's other major highlight was the winning of the NSW State Government "Whole of Government" Contract. This represented a huge 'investment' of time and resources over the past six months and will result in significant investment in regional telco infrastructure once again underwritten by a major contract.

The roll out of this Network has commenced and the benefits of the Contract will begin to be realised in the new financial year.

The Company expects that its profits in the year ahead will be enhanced by the full year contribution of the investments made in the current year.

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Directors' Report

Your directors present their report on the consolidated entity consisting of S P Telemedia Limited and the entities it controlled at the end of, or during, the year ended 31 July 2005.

Directors

The following persons were directors of S P Telemedia Limited during the whole of the financial year and up to the date of this report:

Robert D. Millner
Michael J. Millner
Peter R. Robinson
David J. Fairfull
Denis Ledbury

William P. Cleaves was appointed a director on 11 August 2004 and continues in office at the date of this report.

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of:

- (a) Licensed telecommunications carrier in accordance with the Telecommunications Act 1997.
- (b) Sale of retail telecommunication products and services.
- (c) Commercial television station

A Significant change in the nature of activities of the consolidated entity during the year was the acquisition of NBN Television.

Dividends

Dividends paid to members during the financial year were as follows:

	2005	2004
	\$'000	\$'000
Final ordinary dividend for the year ended 31 July 2004 of 0.75 cents (2004: 0.5) per fully paid share payable on 17 November 2004	2,461	922
Interim ordinary dividend for the year ended 31 July 2005 of 1.0 cents (2004: 0.75) per fully paid share paid on 23 May 2005	3,533	1,394
	<u>5,994</u>	<u>2,316</u>

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of 1.2 cents per share to be paid on 17 November 2005 out of retained profits at 31 July 2005.

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Review of operations

A summary of consolidated revenues and results by significant business segments is set out below:

	Segment revenues		Segment results	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Telecommunications	149,410	16,968	13,579	11,624
Media	81,870	-	11,488	-
Intersegment eliminations	(4,321)	-	(1,814)	-
	226,959	16,968	23,253	11,624
Profit from ordinary activities before income tax expense			23,253	11,624
Income tax expense			(7,011)	(1,965)
Profit from ordinary activities after income tax			16,242	9,659
Add: Net loss attributable to outside equity interest			257	-
Net profit			16,499	9,659

Earnings per share

	2005	2004
	Cents	Cents
Basic earnings per share	4.8	4.9
Diluted earnings per share	4.8	4.8

Significant changes in the state of affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

(a) An increase in contributed equity of \$115,182,000 (from \$118,615,000 to \$233,797,000) as a result of:	2005 \$'000
Exercise of options (10,485,384 options)	1,751
Ordinary shares issued as consideration for NBN purchase (44,217,688 shares)	65,000
Share placement (25,000,000 shares)	50,000
Less: Transaction costs arising on shares issued	(1,569)
Net Increase in share capital	115,182

(b) A number of acquisitions were made during the year details of which are set out in note32.

Matters subsequent to the end of the financial year

Since the end of the financial year the directors have declared a fully franked dividend of 1.2 cents per share payable on 17 November 2005. The financial effect of this dividend has not been brought to account for the year ended 31 July 2005.

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Likely developments and expected results of operations

There are no material likely developments for the consolidated entity, other than continued profitable operations, at the date of this report.

Environmental Regulations

The company has assessed whether there are any particular or significant environmental regulations, which apply to it, and has determined there are none.

Information on directors

Particulars of directors' interests in shares and options of:

Director	Experience & listed company directorships held	Special responsibilities	SP Telemedia Limited		WHSP Limited*	B Digital Limited
			Shares	Options	Shares	Shares
RD Millner	Washington H Soul Pattinson Ltd (1984-current), New Hope Corporation Ltd (1995-current), SP Telemedia Ltd (2000-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), Clover Corporation (1999-2002), KH Foods Ltd (1994-2004)	Chairman	1,051,557	-	16,174,025	-
MJ Millner	Washington H Soul Pattinson Ltd (1997-current), SP Telemedia Ltd (2000-current), Brickworks Ltd (1998-current), Choiseul Investments Ltd (2001-current), KH Foods Ltd (1997-current), Ruralco Ltd (2003-current), Australian Food & Fibre Ltd (2000-2004)	Deputy Chairman Non-Executive Director	1,022,668	-	15,809,005	-
PR Robinson <i>B Comm</i>	Washington H Soul Pattinson Ltd (1984-current), SP Telemedia Ltd (2000-current), KH Foods Ltd (1997-current), New Hope Corporation Ltd (1997-current), Clover Corporation Ltd (1997-current), Australian Pharmaceutical Industries Ltd (2000-current)	Non-Executive Director	115,556	8,000	74,210	-

*Washington H. Soul Pattinson & Company Limited

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Information on directors (*continued*)

Particulars of directors' interests in shares and options of:

Director	Experience & listed company directorships held in last 3 years	Special responsibilities	Particulars of directors' interests in shares and options of:			
			SP Telemedia Limited	WHSP Limited*	B Digital Limited	
			Shares	Options	Shares	Shares
DJ Fairfull <i>B Comm</i> <i>CPA</i> <i>ACIS</i> <i>ASIA</i>	Washington H Soul Pattinson Ltd (1997-current), SP Telemedia Ltd (2000-current), KH Foods Ltd (1997-2004), New Hope Corporation Ltd (1997-current), Clover Corporation Ltd (2002-2004), Australian Pharmaceutical Industries Ltd (2000-current), Souls Private Equity Ltd (2004-current), Stockland Ltd (1990-current), B Digital Ltd (2005-current), Gazal Corporation Ltd (1987-2004)	Non-Executive Director	144,445	10,000	60,000	-
D Ledbury <i>B Bus</i> <i>AICD</i>	S P Telemedia Ltd (2000-current), B Digital Ltd (2005-current).	Non-Executive Director (retired as Managing Director 1 August 2005)	224,223	4,000	30,000	50,000
WP Cleaves Solicitor & Barrister	S P Telemedia Ltd (2004-current), B Digital Ltd (2005-current)	Non-Executive Director	28,889	2,000	-	15,000

Meetings of directors

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

	Full meetings of directors		Meetings of committees					
	A	B	Audit		Nomination		Remuneration	
			A	B	A	B	A	B
Robert D. Millner	9	10	*	*	*	*	1	1
Michael J. Millner	10	10	2	2	1	1	1	1
Peter R. Robinson	10	10	*	*	*	*	1	1
David J. Fairfull	10	10	2	2	1	1	1	1
Denis Ledbury	10	10	*	*	*	*	*	*
William P Cleaves	10	10	*	*	*	*	*	*

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = Not a member of the relevant committee

* Washington H. Soul Pattinson & Company Limited

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Retirement, election and continuation in office of directors

Mr Robert Millner and Mr Michael Millner retired as directors on 23th November 2004 at the Annual General Meeting, and were re-elected.

Mr Peter Robinson and Mr Denis Ledbury are the directors retiring by rotation who, being eligible, offer themselves for re-election.

Remuneration report

The remuneration committee, consisting of four non-executive directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements and fringe benefits. Senior executives may receive bonuses based on the performance of the consolidated group as determined by the remuneration committee on a discretionary basis.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

Details of the nature and amount of each element of the emoluments of each director of S P Telemedia Limited and each of the specified executives of the company and the consolidated entity are set out in the following tables.

Directors of S P Telemedia Limited

2005	Primary			Post-employment	Total
	Cash Salary & fees \$	Cash Bonus \$	Non-monetary benefits \$	Superannuation \$	
<i>Non-executive</i>					
R D Millner (Chairman)	70,000	-	-	6,300	76,300
M J Millner (Deputy Chairman)	55,000	-	-	4,950	59,950
P R Robinson	45,000	-	-	4,050	49,050
D J Fairfull	52,365	-	-	4,713	57,078
W P Cleaves	48,417	-	-	4,358	52,775
<i>Executive</i>					
D Ledbury (Managing Director)	403,351	50,000	24,011	62,257	539,619
Total	674,133	50,000	24,011	86,628	834,772

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2004	Primary			Post-employment	Total
	Cash Salary & fees \$	Cash Bonus \$	Non-monetary benefits \$	Superannuation \$	
<i>Non-executive</i>					
R D Millner (Chairman)	35,000	-	-	3,150	38,150
M J Millner (Deputy Chairman)	25,000	-	-	2,250	27,250
P R Robinson	25,000	-	-	2,250	27,250
D J Fairfull	25,000	-	-	2,250	27,250
<i>Executive</i>					
D Ledbury (Managing Director)	88,798	7,500	3,772	13,107	113,177
Total	198,798	7,500	3,772	23,007	233,077

Specified executives of the consolidated entity

2005	Primary			Post-employment	Total
	Cash Salary & fees \$	Cash Bonus \$	Non-monetary benefits \$	Superannuation \$	
M Simmons, CEO Telecommunications	328,613	80,000	21,829	72,725	503,167
S Legge, Chief Operating Officer	270,241	50,000	5,380	44,228	369,849
D Wright, NBN Station Manager	157,524	25,000	15,590	25,377	223,491
J Eather, CEO Media	321,118	80,000	20,103	55,870	477,101
Peter George, Managing Director B Digital (from 21/4/05 to 31/7/05) *	113,077	-	-	10,177	123,254
Total	1,190,573	235,000	62,902	208,377	1,696,852

* P George was issued with 1,000,000 options in B Digital exercisable at \$1.00. No value was assigned to these options.

2004	Primary			Post-employment	Total
	Cash Salary & fees \$	Cash Bonus \$	Non-monetary benefits \$	Superannuation \$	
M Simmons, General Manager	154,264	44,000	8,141	25,557	231,962
S Legge, Operations and Engineering Manager	77,493	20,500	2,909	12,694	113,596
R Peacock, National Sales and Marketing Manager (From 1 August 2003 – 18 June 2004)	84,883	-	9,653	7,742	102,278
J Eather, Company Secretary	20,562	4,100	1,060	3,248	28,970
Total	337,202	68,600	21,763	49,241	476,806

Service Contracts

The consolidated entity has entered into service contracts with the specified executives. The contracts commenced 1 July 2005 and are for a three year period for M Simmons, J Eather, S Legge and D Wright and for a two year period for P George. The contracts are for a fixed amount of remuneration for the performance of specified duties and do not describe how remuneration levels are modified from year to year. The service contracts with M Simmons, J Eather, S Legge and D Wright are capable of termination on three months notice or salary other than for gross misconduct while P George's contract requires six months notice or salary payment to terminate.

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Company Secretary

Mr Nicholas Dunn holds a Bachelor of Commerce degree from the Australian National University and is a member of the Institute of Chartered Accountants of Australia. Mr Dunn also holds several other company secretary positions with the SP Telemedia group. Mr Dunn was appointed in 2004.

Non-audit Services

During the year the company's auditor, PricewaterhouseCoopers (PWC), performed services other than the statutory audit. PWC were paid \$43,000 for services in relation to the company's rights issue and \$2,365 for services in relation to the acquisition of B Digital Ltd. The director's are satisfied that the provision of these non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 as the non-audit services provided did not involve reviewing their own work.

Details of all fees paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms are set out in note 27.

A copy of the auditor's independence declaration as required by section 307C of the Corporations Act which forms part of the director's report is set out on page 11.

Insurance of officers

During the financial year, the ultimate parent entity and each of its controlled entities indemnified the directors and certain executive officers of each entity for liability:

- a) to a third party (other than the company or a related body corporate) unless the liability arises out of conduct involving a lack of good faith; and
- b) for costs and expenses incurred in successfully defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the Corporations Law

No liability has arisen under these indemnities as at the date of this report.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity.

Proceedings on behalf of company

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

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

Rounding of amounts

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

Dated at Sydney this 19th day of October, 2005.

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

R.D. Millner

M.J. Millner

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AUDITOR'S INDEPENDENCE REPORT TO BE INSERTED ON THIS PAGE

S P Telemedia Limited and its Controlled Entities
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Statements of financial performance

		Consolidated		Company	
	Notes	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from ordinary activities (excluding shares of equity accounted net profits of associates)	3	225,174	16,063	-	-
Cost of sales	4	(145,133)	(6,344)	-	-
Gross profit		80,041	9,719	-	-
Other revenues from ordinary activities	3	1,785	905	98,342	4,285
Selling and distribution expenses		(24,217)	(511)	-	-
Administration expenses		(31,082)	(2,812)	(126)	(119)
Borrowing costs	4	(2,384)	(121)	(189)	-
Goodwill amortisation	4	(2,696)	-	-	-
Share of net profit of joint venture accounted for using the equity method	33	1,806	4,444	-	-
Profit from ordinary activities before income tax expense		23,253	11,624	98,027	4,166
Income tax (expense)/benefit	5	(7,011)	(1,965)	3	125
Profit from ordinary activities after income tax expense		16,242	9,659	98,030	4,291
Net loss attributable to outside equity interest		257	-	-	-
Net profit attributable to members of SP Telemedia Limited	20	16,499	9,659	98,030	4,291
Net exchange differences on translation of financial report of foreign controlled entity	21	(14)	-	-	-
Total revenues, expenses and valuation adjustments attributable to members of S P Telemedia Limited recognised directly in equity		(14)	-	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(16,485)	9,659	98,030	4,291
		Cents	Cents		
Basic earnings per share	36	4.8	4.9		
Diluted earnings per share	36	4.8	4.8		

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

S P Telemedia Limited and its Controlled Entities
Statements of financial position

As at 31 July 2005

		Consolidated		Company	
	Notes	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current assets					
Cash assets	6	20,653	85,757	18	71,355
Receivables	7	73,314	24,541	268	52,494
Inventories	8	2,004	-	-	-
Other	9	4,137	264	30	24
Total current assets		100,108	110,562	316	123,873
Non-current assets					
Investments accounted for using the equity method	12	11,998	6,225	-	-
Other financial assets	13	47	1,096	302,517	1,096
Property, plant and equipment	14	99,161	22,944	-	-
Receivables	7	6,808	-	35,265	-
Deferred tax assets	10	12,640	356	130	130
Intangible assets	11	204,551	-	-	-
Other	9	29,915	-	-	-
Total non-current assets		365,120	30,621	337,912	1,226
Total assets		465,228	141,183	338,228	125,099
Current liabilities					
Payables	15	73,497	5,547	1,749	4,003
Interest bearing liabilities	16	3,260	600	-	-
Current tax liabilities	23	4,656	1,179	-	-
Provisions	17	4,768	26	2,046	-
Other	24	6,697	-	-	-
Total current liabilities		92,878	7,352	3,795	4,003
Non-current liabilities					
Interest bearing liabilities	16	42,665	900	6,122	-
Deferred tax liabilities	18	9,062	212	-	3
Provisions	17	3,645	13	-	-
Other	24	353	-	-	-
Total non-current liabilities		55,725	1,125	6,122	3
Total liabilities		148,603	8,477	9,917	4,006
Net assets		316,625	132,706	328,311	121,093
Equity					
Parent entity interest					
Contributed equity	19	233,797	118,615	233,797	118,615
Retained profits	20	24,596	14,091	94,514	2,478
Reserves	21	(14)	-	-	-
Total parent entity interest		258,379	132,706	328,311	121,093
Outside equity interest in controlled entities	22	58,246	-	-	-
Total equity		316,625	132,706	328,311	121,093

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

S P Telemedia Limited and its Controlled Entities
Statements of cash flows

For the year ended 31 July 2005

	Notes	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		229,056	18,767	30	-
Payments to suppliers and employees (inclusive of GST)		(201,037)	(9,484)	(315)	(130)
Dividends received		250	-	-	4,000
Interest received		1,447	844	711	274
Borrowing costs	4	(1,970)	(121)	-	-
Income taxes paid		(4,717)	(2,552)	(47)	(29)
Net cash inflow (outflow) from operating activities	35	23,029	7,454	379	4,115
Cash flows from investing activities					
Payments for property, plant and equipment		(8,177)	(1,670)	-	-
Payments for purchase of controlled entities and businesses net of cash acquired		(123,703)	-	(123,668)	-
Loans to related parties		(5,156)	-	(6,307)	(2,604)
Security deposit payments		(554)	-	-	-
Loans from related parties		13,750	-	16,886	-
Proceeds from sale of property, plant and equipment		107	18	-	-
Net cash (outflow) from investing activities		(123,733)	(1,652)	(113,089)	(2,604)
Cash flows from financing activities					
Proceeds from issues of shares and other equity securities		51,752	69,712	51,752	69,712
Rights issue transaction costs		(4,385)	(51)	(4,385)	(51)
Proceeds from borrowings		26,000	-	-	-
Repayment of borrowings		(17,751)	(600)	-	-
Dividends paid		(19,994)	(2,316)	(5,994)	(2,316)
Net cash inflow (outflow) from financing activities		35,622	66,745	41,373	67,345
Net increase/(decrease) in cash held		(65,082)	72,547	(71,337)	68,856
Cash at the beginning of the financial year		85,757	13,210	71,355	2,499
Effect of exchange rate changes on cash		(22)	-	-	-
Cash at the end of the financial year	35	20,653	85,757	18	71,355

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

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 1. Statement Of Significant Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

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

It has been prepared on the basis of historical costs and does not take into account changing money values or fair values of non-current assets. The assumption is made that the economic entity will continue as a going concern.

The consolidated accounts include those of the parent entity and all of its controlled entities as listed in note 32. Where controlled entities are acquired during the financial year their results are included only from the date of acquisition and where controlled entities are disposed of during a financial year their results are included to the date of disposal. All intercompany transactions have been eliminated.

In the consolidated financial statements, investments in joint venture entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The consolidated entity's share of the joint venture entity's net profit or loss is recognised in the consolidated statement of financial performance from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in consolidated reserves.

Where considered appropriate comparative amounts have been reclassified or represented to ensure comparability with the current reporting period.

(b) Revenue recognition

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

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.

Rendering of services

Revenue from rendering services is recognised in proportion to the stage of completion of the contract.

Interest revenue

Interest revenue is recognised as it accrues.

Resale revenues

A subsidiary held a service provider agreement under which the service provider undertook billing and collection for the company's customers on its behalf. In addition the service provider assumed credit risk for bad debts. As the company acts as principal in its relationship with its customers, revenues and cashflows associated with billings and collections performed on behalf of the company are brought to account in the statement of Financial Performance and Statement of Cashflows on a gross basis.

Unearned revenue

Unearned revenue represents funds received for customers acquired and retained where the revenue arising cannot be reliably estimated. Revenue is recognised as it is earned over the period to which it relates or is refunded to the Network Provider where the customer is not retained

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

S P Telemedia Limited and its Controlled Entities

Notes to the financial statements

(c) Goods and services tax

Revenues, 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 Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 statement of financial position.

Cash flows are included in the statements 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.

(d) Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the Statement of Financial Performance in the financial year in which the exchange rates change.

Translation of foreign controlled entities

The assets and liabilities of foreign controlled entities that are self-sustaining are translated at the rates of exchange ruling at reporting date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve until the disposal, or partial disposal, of the operations.

The balance of the foreign currency translation reserve relating to a foreign operation that is disposed of, or partially disposed of, is transferred to retained profits in the year of disposal.

(e) Borrowing costs

Borrowing costs represent interest relating to borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets.

(f) Taxation – Note 5

The consolidated entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

Tax consolidation legislation

The parent entity, SP Telemedia Limited and its wholly-owned subsidiaries have not elected to form a tax consolidated group. A controlled entity B Digital Limited is the head entity in a tax consolidated group comprising all its Australian wholly-owned subsidiaries. The head entity recognises all the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions).

S P Telemedia Limited and its Controlled Entities

Notes to the financial statements

The B Digital tax consolidated group intends to enter into a tax funding agreement that requires wholly owned subsidiaries to make contributions to the head entity for current tax assets and liabilities and movements in deferred tax balances arising from external transactions during the year.

(g) Acquisition of assets

All assets acquired including property, plant and equipment and intangibles other than goodwill are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Costs that do not meet the criteria for capitalisation are expensed as incurred.

(h) Receivables – Note 7

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Trade debtors

Trade debtors are recognised at the amount receivable and are generally due for settlement 30 days from the end of the month in which the invoice is raised.

(i) Inventories – Note 8

Stores are carried at the lower of cost and net realisable value.

(j) Investments – Notes 12 & 13

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Joint ventures

In the Company's financial statements, investments in joint venture entities other than partnerships are carried at the lower of equity accounted amount and recoverable amount. Joint venture entities are accounted for as set out in note 1(a).

(k) Operating leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease.

(l) Maintenance and repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

(m) Earnings per share

Basic earnings per share

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

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Diluted earnings per share

Diluted earnings per share is calculated by dividing the basic earnings per share, by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(n) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value.

(o) Depreciation and amortisation

Complex assets

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated.

Useful lives

All assets have limited useful lives and are depreciated/amortised using the straight-line method over their estimated useful lives with the exception of land, finance lease assets and the television licence. Finance lease assets are amortised over the term of the lease or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

Assets are depreciated/amortised from the date of acquisition or from the time an asset is completed and held ready for use.

The depreciation rates used are as follows:

Property, plant and equipment:	<u>2005</u> 5%-40%	<u>2004</u> 5% - 40%
Leasehold improvements:	13%	-
Goodwill:	10%-20%	-

(p) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. These amounts are unsecured.

(q) Interest bearing liabilities – Note 16

Bank loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(r) Employee entitlements – Note 30

Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, 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.

Long service leave

The provision for employee benefits to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

S P Telemedia Limited and its Controlled Entities

Notes to the financial statements

(s) Cash

For the purposes of the statement of cash flows, cash includes cash at bank, cash on hand and cash on deposit which is readily convertible to cash.

(t) Equity-based compensation benefits

Equity-based compensation benefits

Equity-based compensation benefits have been provided to employees via the Parent Entity's Employee Share Option Plan. Information relating to this plan is set out in note 30.

No accounting entries are made in relation to the Employee Share Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 26 would include the assessed fair values of options at the date they were granted.

(u) Security deposits

Security deposits represent funds held by network providers as security and are recognised as non current assets, reflecting the long term nature of the contractual arrangements with the network providers. No interest income is received by the Group in relation to these deposits.

(v) Capitalised subscriber costs

Capitalised subscriber costs include handset and other costs directly attributable to the acquisition and retention of subscriber contracts. Where revenue earned can be reliably estimated to secure the subscriber contracts, the capitalised subscriber costs are net of this revenue. Costs capitalised are expensed directly to the profit and loss in the period in which they are incurred, except that they are recognised as an asset when:

- The Company controls future economic benefits as a result of the costs incurred;
- It is probable that those future economic benefits will eventuate; and
- The costs can be measured reliably.

Capitalised subscriber costs recognised as an asset are 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 (normally 24 months).

(w) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. Goodwill is written off over periods between 10 and 20 years.

For joint ventures entities, the consolidated financial statements include the carrying amount of goodwill in the equity accounted investment carrying amounts.

(x) Leased assets

Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed.

S P Telemedia Limited and its Controlled Entities

Notes to the financial statements

(y) Provisions

A provision is recognised when an equitable legal or constructive obligation exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

The following provisions relate to a controlled entity, B Digital Limited and its subsidiaries:

Clawback

A provision for clawback is recognised when it is probable that an outflow of economic benefits will be required to settle the early termination penalty from the Network Provider for customers.

Unexpired airtime

A provision for unexpired airtime is recognised when the entity is contractually committed to provide future airtime as an incentive to retain the customers for a further contract term.

Customer loyalty program

A provision for the customer loyalty program is recognised when it is probable that an outflow of economic benefits will be required to settle the expected loyalty program obligations.

(z) Television Licence

The television licence is brought to account at fair value as determined by a director's valuation. The television licence is subject to renewal by the Australian Broadcasting Authority, but the directors have no reason to believe it will not be renewed and have not identified any factor that would affect its useful life. The carrying amount of the Television Licence is not amortised as the directors believe it will exist in perpetuity and its value will not diminish over time.

An assessment of the recoverable amount of the licence is made each reporting period to ensure this is not less than its carrying amount. The recoverable amount is determined based on the net amount expected to be recovered through the net cash inflows arising from the continued use of the licence and subsequent disposal, where applicable, discounted using a risk adjusted discount rate.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 2. Segment information

Business Segments

Telecommunications

Licences telecommunications carrier selling both wholesale and retail products and services.

Media

Operation of a commercial television station.

Geographical segments

The company operates predominately in Australia.

Business Segments	Telecommunications		Media		Inter-segment eliminations/ unallocated	Consolidated	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000		2005 \$'000	2004 \$'000
External segment revenue	149,410	16,968	81,870	-	(4,321)	226,959	16,968
Total revenue	149,410	16,968	81,870	-	(4,321)	226,959	16,968
Segment operating profit	11,773	7,180	11,488	-	(1,814)	21,447	7,180
Share of net profit/(loss) of joint venture accounted for using the equity method	1,806	4,444	-	-	-	1,806	4,444
Profit from ordinary activities before income tax						23,253	11,624
Income tax expense						(7,011)	(1,965)
Profit from ordinary activities after income tax						16,242	9,659
Depreciation and amortisation	5,430	2,791	3,780	-	-	9,210	2,791
Goodwill amortisation					2,696	2,696	-
Segment assets	346,839	134,958	186,151	-	(79,760)	453,230	134,958
Equity accounted investments	11,998	6,225				11,998	6,225
Consolidated total assets						465,228	141,183
Segment liabilities	127,476	8,477	64,221	-	(43,094)	148,603	8,477
Consolidated total liabilities						148,603	8,477
Acquisitions of property, plant & equipment	36,746	953	4,718	-		41,464	953

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 3. Revenue

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from operating activities				
Sale of goods and services	225,174	16,063	-	-
Other Revenues:				
Dividends	-	-	8,000	4,000
Interest	1,785	880	1,199	285
Sundry Income	-	25	-	-
Net gain on disposal of investments	-	-	89,143	-
Revenue from ordinary activities	226,959	16,968	98,342	4,285

Note 4. Profit from ordinary activities

(a) Profit from ordinary activities before income tax expense has been arrived at after charging the following items:

Expenses

Cost of services sold (including depreciation)	145,133	6,344	-	-
Depreciation				
Plant and equipment	9,210	2,791	-	-
Goodwill amortisation	2,696	-		
Borrowing costs:				
Other parties	2,384	121	-	-
Controlled entities	-	-	189	-
Net bad and doubtful debts expense including movements in provision	2,442	(2)	-	-
Operating lease rental expense	3,487	567	-	-

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 5. Income tax

	Consolidated		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
<i>Income tax expense</i>				
Prima facie income tax expense calculated at 30% on the profit from ordinary activities	6,976	3,487	29,408	1,250
Increase in income tax expense due to:				
Non-deductible goodwill amortisation	808	-		514
Sundry items	38	-		-
Decrease in income tax expense due to:				
Share of joint venture entities' net profit	(542)	(1,333)		-
Non-taxable gain on sale of investment	-	-	(26,742)	-
Rebatable dividends received	-	-	(2,400)	(1,714)
Write-off of capital costs in relation to rights issue	(269)	(175)	(269)	(175)
Income tax under/ (over) provided in prior year	-	(14)		-
Income tax expense/(benefit) attributable to operating profit	7,011	1,965	(3)	(125)
Income tax expense/(benefit) attributable to operating profit is made up of:				
Current income tax provision	7,872	2,126		-
Deferred income tax provision	15	(29)	(3)	3
Future income tax benefit	(876)	(118)		(128)
Under/(over) provision in prior year	-	(14)		-
	7,011	1,965	(3)	(125)

For information on tax consolidation refer to note 1(f).

	Consolidated		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	19,002	77,507	18	68,855
Short term deposits	1,651	8,250	-	2,500
	20,653	85,757	18	71,355

Short-term deposits of \$1,650,000 (2004: \$1,650,000) represents a security over the consolidated entity's bank loans.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 7. Receivables

	Consolidated		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Current				
Trade debtors	74,004	2,500	-	10
Less: Provision for doubtful debts	(6,206)	(700)	-	-
	67,798	1,800	-	10
Accrued income	1,247	-	-	-
Other debtors	4,261	36	164	11
Income tax receivable	-	-	104	58
Loans to controlled entities	-	-	-	31,415
Amounts owed from related entities	8	22,705	-	21,000
	73,314	24,541	268	52,436
Non-current				
Other receivables – related entities	6,163	-	-	-
Other receivables	535	-	-	-
Loans to directors and specified executives	110	-	-	-
Loans to controlled entities	-	-	35,265	-
	6,808	-	35,265	-

Note 8. Inventories

Stores – at cost	2,004	-	-	-
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Note 9. Other assets

Current

Prepayments	4,137	264	30	24
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Non-current

Capitalised subscriber costs	48,099	-	-	-
Less: Accumulated amortisation costs	(23,474)	-	-	-
	24,625	-	-	-
Security deposits	5,290	-	-	-
	29,915	-	-	-

Note 10. Deferred tax assets

Future income tax benefit	12,640	356	130	130
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The future income tax benefit includes \$8,751,000 in respect of income tax losses brought to account.

Note 11. Intangibles

Television licence	125,000	-	-	-
Aggregation expenditure - cost	1,603	-	-	-
Less: accumulated amortisation	(1,044)	-	-	-
	125,559	-	-	-
Goodwill - cost	89,021	-	-	-
Less: accumulated amortisation	(10,029)	-	-	-
	78,992	-	-	-
	204,551	-	-	-

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 12. Investments accounted for using the equity method

		Consolidated		Company	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Joint venture entities	33	11,998	6,225	-	-

Note 13. Other financial assets

Non-current

Other (non-traded) investments

Cost of acquisition of controlled entity	-	1,096	-	1,096
Shares in other corporations – at cost	47	-	-	-
Shares in controlled entities – at cost	-	-	302,517	-*
	47	1,096	302,517	1,096

* S P Telemedia Limited holds or held the following investments:

- 2, \$1 shares in Soul Pattinson Telecommunications Pty Limited (2005 & 2004)
- 2, \$1 shares in Kooee Communications Pty Limited.(2004)

Cost of acquisition of controlled entity represents acquisition costs incurred during the year ended 31 July 2004 in relation to the purchase of NBN Enterprises Pty Limited, by S P Telemedia Limited on 1st August 2004. For further details refer note 32.

Note 14. Property, plant and equipment

Land

At cost	5,625	60	-	-
	5,625	60	-	-

Buildings

At cost	8,642	-	-	-
Less: Accumulated depreciation	(2,125)	-	-	-
	6,517	-	-	-

Plant and equipment

At cost	139,911	30,409	-	-
Less: Accumulated depreciation	(54,887)	(7,525)	-	-
	85,024	22,884	-	-

Leasehold improvements

At cost	1,369	-	-	-
Less: Accumulated depreciation	(78)	-	-	-
	1,291	-	-	-

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 14. Property Plant & Equipment (continued)

Leased assets

At cost	1,330	-	-	-
Less: Accumulated amortisation	(626)	-	-	-
	704	-	-	-
Total property, plant and equipment	99,161	22,944	-	-

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Land	Buildings	Leasehold	Plant &	Leased	Total
	\$'000	\$'000	improvements	equipment	assets	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated						
Carrying amount at 1 st August 2004	60	-	-	22,884	-	22,944
Additions	-	-	1,262	12,656	-	13,918
Disposals	-	-	-	(473)	(1)	(474)
Additions through acquisitions of entities	5,565	6,666	157	58,961	793	72,142
Depreciation expense	-	(149)	(128)	(9,004)	(88)	(9,369)
Carrying amount at 31 st July 2005	5,625	6,517	1,291	85,024	704	99,161

Note 15. Payables

Trade creditors	51,713	1,127	-	-
Other creditors	20,035	2,413	-	2,413
Amounts owed to related entities	-	417	-	-
Amounts owed to director-related entities	1,749	1,590	1,749	1,590
	73,497	5,547	1,749	4,003

Note 16. Interest bearing liabilities

Current

Unsecured loan	9	-	-	-
Lease liabilities	351	-	-	-
Bank loan – secured	2,900	600	-	-
	3,260	600	-	-

Non-current

Unsecured loan	6	-	-	-
Lease liabilities	224	-	-	-
Other loans – controlled entities	-	-	6,122	-
Other loans – related parties	4,155	-	-	-
Other loans	3,780	-	-	-
Bank loan – secured	34,500	900	-	-
	42,665	900	6,122	-

All loans are on commercial terms and conditions.

The bank loans are secured by interlocking debt and interest guarantees by SP Telemedia Ltd, NBN Enterprises Pty Ltd, NBN Ltd and Soul Pattinson Telecommunications Pty Ltd.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 17. Provisions

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current				
Employee entitlements	3,597	26	-	-
Unexpired airtime	1,021	-	-	-
Indemnity	-	-	2,046	-
Clawback	50	-	-	-
Customer loyalty program	100	-	-	-
	4,768	26	2,046	-
Non-current				
Employee entitlements	2,421	13	-	-
Television licence fees	1,224	-	-	-
	3,645	13	-	-

Movements in each class o provisions other than employee entitlements are set out below.

	Unexpired airtime	Clawback	Customer loyalty program	Television Licence	Total
Consolidated - 2005					
Carrying amount at start of year	-	-	-	-	-
Additional provisions recognised				-	
Provisions acquired	1,036	50	100	1,285	2,471
Payments of economic benefits				-	
Reductions from remeasurement				(61)	
Carrying amount at end of year	1,021	50	100	1,224	2,395

Note 18. Deferred tax liabilities

Provision for deferred income tax	9,062	212	-	3
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Note 19. Contributed equity

Issued and paid-up share capital

353,367,969 (2004: 273,664,897) ordinary shares, fully paid	233,797	118,615	233,797	118,615
(a) Ordinary shares				
Balance at the beginning of year				
273,664,897 (2004: 180,371,400) fully paid ordinary shares	118,615	30,854	118,615	30,854
- 84,189,029 fully paid ordinary shares @ \$1.05 pursuant to 4 for 9 rights issue	-	88,398	-	88,398
- Transaction costs arising from share and rights issues	(1,569)	(2,909)	(1,569)	(2,909)
- Exercise of options (10,485,384 shares @ \$0.167)	1,751	2,272	1,751	2,272
- Ordinary shares issued as consideration for NBN purchase (44,217,688 shares @ \$1.47)	65,000	-	65,000	-
- Share placement (25,000,000 shares @ \$2.00)	50,000	-	50,000	-
Balance at the end of the year	233,797	118,615	233,797	118,615

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 19. Contributed Equity (continued)

On 10th May 2001;

- 8,000,000 options were granted to holders of ordinary shares. Shareholders were entitled to one free option for every 10 shares allotted. Each option is convertible into one ordinary share at any time before 10th May 2006 at a fixed price of 16.7 cents per share. The company's option exercise price was adjusted in accordance with ASX listing rule 6.22 as a result of the rights issue undertaken by the Company during the previous financial year. The number of unissued ordinary shares under these options at 31st July 2005 is 2,038,748.
- 10,000,000 options were granted to Washington H. Soul Pattinson Limited and have an exercise price of 16.7 cents per share. All options were exercised during the current financial year.
- 4,000,000 options were granted to employees, under the employee share option plan. All options were exercised during the previous financial year (refer note 30).

Note 20. Retained profits

	Consolidated		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Retained profits/(losses) at the beginning of the financial year	14,091	6,748	2,478	503
Net profit for the year	16,499	9,659	98,030	4,291
Dividends paid	(5,994)	(2,316)	(5,994)	(2,316)
Retained profit at the end of the financial year	24,596	14,091	94,514	2,478

Note 21. Reserves

Foreign currency translation reserve

Balance at beginning of year	-	-	-	-
Net exchange difference on translation of foreign controlled entity	(14)	-	-	-
Balance at end of year	(14)	-	-	-

Nature and purpose of reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve as described in note 1 (v).

Note 22. Outside equity interests in controlled entities

Interest in:

Share capital	78,987	-
Reserves	3	-
Retained profits	(20,744)	-
	58,246	-

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Note 23. Current tax liabilities				
Income tax	4,656	1,179	-	-

Note 24. Other liabilities

Current				
Unearned revenue	2,766	-	-	-
Income in advance	3,931	-	-	-
	6,697	-	-	-
Non-current				
Unearned revenue	353	-	-	-

Note 25. Dividends

Franking credits available for subsequent financial years based on a tax rate of 30%	8,953	3,759	1,616	757
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The above amounts represent the balance of the franking account at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax.
- (b) franking debits that will arise from the payment if dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivable at the reporting date; and
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of the controlled entities were paid as dividends.

Dividends

Dividends paid to members during the financial year were as follows:

	2005 \$'000	2004 \$'000
Final ordinary dividend for the year ended 31 July 2004 of 0.75 cents (2004: 0.5) per fully paid share payable on 17 November 2004	2,461	922
Interim ordinary dividend for the year ended 31 July 2005 of 1.0 cents (2004: 0.75) per fully paid share paid on 23 May 2005	3,533	1,394
	5,994	2,316

In addition to the above dividends, since the end of the financial year the directors have recommended the payment of a final ordinary dividend of 1.2 cents per share to be paid on 17 November 2005 out of retained profits at 31 July 2005.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 26. Director and executive disclosures

Directors

The names of each person holding the position of director of S P Telemedia Limited during the financial year are Messrs RD Millner, MJ Millner, PR Robinson, DJ Fairfull and D Ledbury.

William P Cleaves was appointed a director on 11 August 2004 and continues in office at the date of this report.

Denis Ledbury resigned as managing director on 1 August 2005 and continues as a non-executive director.

Remuneration of directors and executives

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior managers. The remuneration committee consists of the non-executive Directors. The main responsibility of the committee is to make recommendations to the full Board on remuneration matters and other terms of employment for executive Directors, senior executives and non-executive Directors.

The Committee aims to ensure in respect of directors and senior management that the level and composition of remuneration is sufficient and reasonable so as to encourage enhanced performance of the Company.

Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by shareholders from time to time.

Details of the remuneration of each director of S P Telemedia Limited and each of the specified executives of the consolidated entity, and the nature and amount of the elements of their remuneration, are set out in the Directors' report.

Equity instrument disclosures relating to directors and executives

Option holdings

The numbers of options over ordinary shares in SP Telemedia Limited and B Digital Limited held during the financial year by each director of S P Telemedia Limited and each of the specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Balance at the end of the year
Options in SP Telemedia Limited			
<i>Directors of S P Telemedia Limited</i>			
P R Robinson	8,000	-	8,000
D J Fairfull	10,000	-	10,000
D Ledbury	4,000	-	4,000
W P Cleaves	2,000	-	2,000
None of the specified executives of the consolidated entity held options in S P Telemedia Ltd during the year.			
Options in B Digital Limited			
None of the directors of SP Telemedia Limited held options in B Digital Ltd during the year.			
<i>Specified executives of the consolidated entity</i>			
P George	-	1,000,000	1,000,000

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 26 Director and executive disclosures *(continued)*

Share holdings

The numbers of shares in S P Telemedia Limited and B Digital Limited held during the financial year by each director of S P Telemedia Limited and each of the specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Purchases	Received on exercise of options	Received on exercise of rights	Other changes during the year	Balance at the end of the year
Shares in S P Telemedia Limited						
<i>Directors of S P Telemedia Limited</i>						
R D Millner	1,051			-		1,051,55
M J Millner	1,022					1,022,66
P R Robinson	115					115,55
D J Fairfull	144					144,44
D Ledbury	202	22,				224,22
W P Cleaves	28					28,88
<i>Specified executives of the consolidated entity</i>						
M Simmons	90				(4	45,3
J Eather	108					108,5
Shares in B Digital Limited						
<i>Directors of S P Telemedia Limited</i>						
D Ledbury		50,				50,0
P Cleaves		15,				15,0
<i>Specified executives of the consolidated entity</i>						
M Simmons		33				33,0
J Eather		37				37,5

Other transactions with directors and specified executives

D Ledbury and J Eather had interest free loans as at 31 July 2005 of \$109,500 each. These loans are offset by accrued retirement benefits.

Mr P Robinson, Mr R Millner and Mr D Fairfull are directors of Pitt Capital Partners Limited (PCP), Mr D Fairfull is also a shareholder as is SP Telemedia Limited's parent entity Washington H Soul Pattinson Limited. S P Telemedia Limited engaged the services of PCP as corporate advisors in relation to the acquisition of NBN, the acquisition of B Digital and a share placement. The total fees paid or payable to PCP during the year in relation to these services was \$3,680,000.

The terms and conditions of the transactions with the directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

As at balance date there was an amount payable from S P Telemedia Limited to PCP totalling \$1,749,000.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 27. Remuneration of auditors

	Consolidated		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Amounts received or due and receivable by the auditors for:				
Audit Services				
Auditor of the parent entity – PricewaterhouseCoopers Australian firm	124,880	59,000	-	-
KPMG Australia	315,623	-	-	-
	440,503	59,000	-	-
Other services				
Auditor of the parent entity – PricewaterhouseCoopers Australian firm	45,365	-	-	-
KPMG Australia	287,498	-	-	-
	332,863	-	-	-

Fees paid to KPMG represent fees paid in relation to the B Digital Limited group for the full financial year.

Note 28. Financial instruments

(a) Interest rate risk

Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate classes of financial assets and financial liabilities is set out below.

Exposure arises predominately from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

	Note	Weighted average interest rate	Fixed Interest Maturing In:				Non-interest bearing \$'000	Total \$'000
			Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
2005								
<i>Financial assets</i>								
Cash assets	6	4.51%	19,003	1,650	-	-	-	20,653
Receivables	7	10.00%	5,579	-	-	-	74,543	80,122
Other assets	9	-	-	-	-	-	5,290	5,290
			24,582	1,650	-	-	79,833	106,065
<i>Financial liabilities</i>								
Payables	15	-	-	-	-	-	73,497	73,497
Lease liabilities	16	9.42%	-	351	224	-	-	575
Unsecured loans	16	13.90%	-	9	6	-	-	15
Other loans	16	10.00%	-	-	7,935	-	-	7,935
Bank loans	16	6.49%	-	2,900	34,500	-	-	37,400
			-	3,260	42,665	-	73,497	119,422

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 28 Financial instruments *(continued)*

2004

Financial assets

Cash assets	6	4.65%	77,507	8,250	-	-	-	85,757
Receivables	7	-	-	-	-	-	24,541	24,541
			<u>77,507</u>	<u>8,250</u>	<u>-</u>	<u>-</u>	<u>24,541</u>	<u>110,298</u>

Financial liabilities

Payables	16	-	-	-	-	-	5,547	5,547
Bank loans	16	6.4%	-	600	900	-	-	1,500
			<u>-</u>	<u>600</u>	<u>900</u>	<u>-</u>	<u>5,547</u>	<u>7,047</u>

(b) Credit risk exposure

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

(c) Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the consolidated entity on the following bases:

Recognised financial instruments

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities for the consolidated entity approximate their carrying value.

Unrecognised financial instruments

There are no unrecognised financial instruments.

Note 29. Commitments for expenditure

	Consolidated		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Capital commitments				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	33	5	-	-
Later than one year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	<u>33</u>	<u>5</u>	<u>-</u>	<u>-</u>

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Operating leases				
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	3,271	482	-	-
Later than one year but not later than 5 years	10,556	1,155	-	-
Later than 5 years	5,000	1,019	-	-
	<hr/>			
Commitments not recognised in the financial statements	18,827	2,656	-	-

Finance leases

Finance lease commitments are payable as follows:

Within one year	352	-	-	-
Later than one year but not later than 5 years	231	-	-	-
	<hr/>			
	583	-	-	-
	(8)	-	-	-
	<hr/>			
Total lease liabilities	575	-	-	-
	<hr/>			
Representing lease liabilities				
Current	351	-	-	-
Non-current	224	-	-	-
	<hr/>			
	575	-	-	-

Note 30. Employee entitlements

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Employee entitlement liabilities				
Provision for employee entitlements				
Current (note 17)	3,597	26	-	-
Non-current (note 17)	2,421	13	-	-
Aggregate employee entitlement liability	<hr/>			
	6,018	39	-	-
	<hr/>			
	Number		Number	
Employee numbers				
Number of employees at the end of the financial year	<hr/>			
	939	35	-	-

Employee share option plan

The company had an employee share option plan.

Under the plan the number of options granted cannot exceed 5% of the total number of shares. 4,000,000 options over ordinary shares were issued to 5 executives on 10th May 2001. All options were exercised during the previous financial year, and the number of shares issued to employees on the exercise of options is detailed below. The exercise price of the options, determined in accordance with the Rules of the plan, was 25 cents per share.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

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

Grant date	Expiry date	Exercise price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
			Number	Number	Number	Number	Number
Consolidated and Company - 2005							
10 May 2001	10 May 2006	25 cents	-	-	-	-	-
Total			-	-	-	-	-
Consolidated and Company - 2004							
10 May 2001	10 May 2006	25 cents	4,000,000	-	(4,000,000)	-	-
Total			4,000,000	-	(4,000,000)	-	-

Options exercised during the financial year and number of shares issued on the exercise of options

Exercise Date	Fair value of shares at Issue date	Consolidated		Company	
		2005 Number	2004 Number	2005 Number	2004 Number
26 September 2003	\$1.30	-	3,900,000	-	3,900,000
21 June 2004	\$1.35	-	100,000	-	100,000
		-	4,000,000	-	4,000,000

The fair value of shares issued on the exercise of options is the weighted average price at which the company's shares were traded on the Australian Stock Exchange on the day prior to the exercise of the options.

	Consolidated		Company	
	2005 \$	2004 \$	2005 \$	2004 \$
Aggregate proceeds received on the exercise of options and recognised as issued capital (Refer Note 19)	-	1,000,000	-	1,000,000
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Fair value of shares issued on the exercise of options as at their issue date	-	5,205	-	5,205

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 31. Related parties

Directors and specified executives

Disclosures relating to directors and specified executives is set out in note 19.

Non-director related parties

The classes of non-director related parties are:

- controlling entity of the Company
- controlled entities
- commonly controlled entities
- joint venture entities

All transactions with non-director related parties are on normal terms and conditions.

Wholly owned group

Information relating to controlled entities is set out in note 25.

Ownership interests in controlled entities are set out in note 30.

		Consolidated		Company	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000

Non-director related parties

Aggregate amounts included in the determination of profit from ordinary activities before related income tax that resulted from transactions with each class of non-director related parties:

Interest revenue					
Controlled entities	-	-	498	-	-
Joint venture entities	136	70	-	-	-
Dividend revenue					
Controlled entities	-	-	8,000	4,000	-
Interest expense					
Controlled entities	-	-	189	-	-

Aggregate amounts brought to account in relation to other transactions with non-director related parties:

Loan advances to:					
Controlled entities	-	-	6,425	2,604	-
Joint venture entities	5,217	-	-	-	-
Loan repayments from:					
Controlled entities	-	-	2,576	-	-
Loan repayments to:					
Controlling entity	21,000	-	21,000	-	-
Loan advances from:					
Controlled entities	-	-	6,122	-	-

Dividends paid/payable to controlling entity

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 31. Related parties *(Continued)*

	Consolidated		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
<i>Receivables</i>				
Aggregate amounts receivable from non-director related parties:				
<i>Amounts receivable other than trade debts</i>				
Current				
Controlling entity	-	21,000	-	21,000
Controlled entities	-	-	35,265	31,415
Joint venture entities	5,217	500	-	-
<i>Amounts receivable including trade debts</i>				
Current				
Joint venture entities	6,562	462	-	-
Commonly controlled entities	-	743	-	-
<i>Payables</i>				
Aggregate amounts payable to non-director related parties:				
<i>Amounts payable including trade creditors</i>				
Current				
Commonly controlled entities	-	417	-	-
Non-current				
Controlled entities	-	-	6,122	-

Ultimate parent entity

The ultimate parent entity of S P Telemedia Limited is Washington H. Soul Pattinson and Company Limited which at 31st July 2005 owns 50.98% of the issued ordinary shares (2004: 44.45%).

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 32. Investments in controlled entities

(a) Particulars in relation to controlled entities

Name	Country of Incorporation	Ordinary Share Consolidated Entity Interest	
		2005 %	2004 %
<i>Parent entity</i>			
S P Telemedia Limited			
<i>Controlled Entities</i>			
Soul Pattinson Telecommunications Pty Limited	Australia	100	100
Kooee Communications Pty Limited	Australia	43	100
NBN Enterprises Pty Limited	Australia	100	-
NBN Limited	Australia	100	-
NBN Investments Pty Limited	Australia	100	-
NBN Holdings Pty Limited	Australia	100	-
NBN Productions Pty Limited	Australia	100	-
SPTCom Pty Limited	Australia	50	-
Kooee Mobile Pty Limited	Australia	100	-
B Digital Limited	Australia	43	-
B Digital Investments Pty Limited	Australia	43	-
Digiplus Investments Pty Limited	Australia	43	-
Digiplus Holdings Pty Limited	Australia	43	-
Digiplus Pty Limited	Australia	43	-
Digiplus Limited	Australia	43	-
Codex Limited	Australia	43	-
Digiplus Contracts Pty Limited	Australia	43	-
Blue Call Pty Limited	Australia	43	-

Controlled entities with ownership interest of less than 50 percent have been consolidated on the basis of control of the board of directors.

Acquisition of NBN Enterprises Pty Ltd

On 1st August 2004 S P Telemedia Limited acquired all of the issued share capital of NBN Enterprises Pty Limited (NBN) from Washington H. Soul Pattinson and Company Limited (WHSP). The consideration for the purchase of \$145 million was satisfied through the issue of 44,217,688 new shares to WHSP totalling \$65 million, and \$80 million in cash. The operating results of this newly acquired entity have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition are as follows:

	\$'000
Fair value of identifiable net assets of controlled entity acquired	
Property, Plant & Equipment	41,352
Receivables	16,643
Inventory	2
Investments	47
Intangible	125,000

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 32 Investment in controlled entities (continued)

	\$'000
Other Assets	1,211
Cash	2,702
Payables	(17,547)
Borrowings	(41,642)
Provisions	(3,205)
	124,563
Goodwill on Consolidation	21,623
Purchase consideration including transaction costs	146,186
Outflow of cash to acquire controlled entity net of cash acquired	
Purchase consideration including transaction costs	146,186
Less: Cash balances acquired	(2,702)
Less: Consideration satisfied through shares issued	(65,000)
Less: Loan to vendor offset	(21,000)
	57,484

Acquisition of Comindico Australia's assets and business

On 1st December 2004 S P Telemedia Limited acquired the assets and business of Comindico Australia. The operating results of this newly acquired entity have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition are as follows:

	\$'000
Fair value of identifiable net assets of controlled entity acquired	
Property, Plant & Equipment	27,546
Prepayments	796
Provisions	(687)
Purchase consideration including transaction costs	27,655
Outflow of cash to acquire assets and business net of cash acquired	
Purchase consideration including transaction costs	27,655
Less: Cash balances acquired	-
Outflow of cash	27,655

Acquisition of Equity in B Digital Ltd

On 21st April 2005 SP Telemedia Limited acquired 43% of the issued share capital of B Digital Limited. The acquisition transaction included (i) The sale of Kooee Communications Pty Ltd to B Digital Ltd in return for 29% of the issued capital of B Digital Ltd and the repayment of a debt satisfied by the issue of new share capital in SPTCom Pty Ltd to the value of \$13,750,000 and (ii) The purchase of a further 14% of the share capital of B Digital Ltd for \$49,450,000.

The operating results of B Digital Ltd have been included in the consolidated statement of financial performance since the date of acquisition.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 32 Investment in controlled entities (continued)

Details of the acquisition are as follows:

	\$'000
Fair value of identifiable net assets of controlled entity acquired	
Cash	15,715
Receivables	40,471
Inventories	2,652
Property, Plant & Equipment	3,244
Intangibles	48,265
Investments	4,303
Deferred tax assets	9,892
Other assets	47,081
Payables	(48,060)
Interest bearing liabilities	(8,444)
Other liabilities	(3,755)
Deferred tax liabilities	(7,217)
Provisions	(3,082)
	<u>101,065</u>
Less: Outside equity interests	<u>57,708</u>
	<u>43,357</u>
Goodwill on consolidation	11,735
Purchase consideration including transaction costs	<u>55,092</u>
Outflow of cash to acquire assets and business net of cash acquired	
Purchase consideration including transaction costs	55,092
Less: Cash balances acquired	15,715
Less: Consideration satisfied by sale of shares in controlled entities	813
Outflow of cash	<u>38,564</u>

Note 33. Investments accounted for using the equity method

Details of interests in joint venture entities are as follows:

Name	Principal activities	Joint Venture Balance date	Ordinary share Ownership interest		Investment carrying amount			
			Consolidated		Consolidated		Company	
			2005	2004	2005	2004	2005	2004
			%	%	\$'000	\$'000	\$'000	\$'000
SPT Telecommunications Pty Ltd	Telecommunications Carrier	30 June	50	50	7,482	5,820	-	-
Kooee Pty Ltd	Telecommunications Retailer	31 July	50	50	419	405	-	-
B Shop Telecommunications Pty Ltd	Telecommunications Retailer	30 June	50	-	4,097	-	-	-

Results of joint venture entities

The Company's and consolidated entity's share of the joint venture entities' results consist of:

Revenues from ordinary activities	28,853	26,131	-	-
Expenses from ordinary activities	<u>(26,226)</u>	<u>(19,782)</u>	-	-
Profit from ordinary activities before income tax expense	2,627	6,349	-	-
Income tax expense relating to ordinary activities	<u>(821)</u>	<u>(1,905)</u>	-	-
Net Profit – accounted for using the equity method	<u>1,806</u>	<u>4,444</u>	-	-

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 33 Investment accounted for using the equity method (continued)

Statement of financial position

The Company's and consolidated entity's share of the joint venture entity's assets and liabilities consist of:

Current assets	6,257	5,428	-	-
Non-current assets	16,476	10,541	-	-
Total assets	22,733	15,969	-	-
Current liabilities	(7,871)	(6,352)	-	-
Non-Current liabilities	(5,889)	(3,392)	-	-
Total liabilities	(13,760)	(9,744)	-	-
Net assets – accounted for using the equity method	8,973	6,225	-	-
Goodwill on acquisition	3,025	-	-	-
Carrying amount at end of year	11,998	6,225	-	-

Movements in carrying amount of joint venture entity

Carrying amount at beginning of year	6,225	1,781	-	-
Acquired by the acquisition of a controlled entity	4,217	-	-	-
Share of joint venture entity net profit	1,806	4,444	-	-
Dividend received	(250)	-	-	-
Carrying amount at end of year	11,998	6,225	-	-

Contingent liabilities

Share of associates' contingent liabilities in respect of bank guarantees	2,522	-	-	-
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Commitments

Share of associates' capital commitments	2,074	175	-	-
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Note 34. Economic dependency

NBN Limited acquires the majority of the television programs it broadcasts from the Nine Network pursuant to a program supply agreement. The program supply agreement expires in June 2007.

The B Digital group has a service provider agreement with Optus Mobile Pty Limited for the supply of mobile services for Digiplus customers that expires 30 January 2007 and for the supply of mobile services for B mobile customers that expires in February 2009. This agreement is fundamental to the continued operations of the B Digital group.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 35. Notes to the statement of cash flows

Consolidated		Company	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank. Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash at bank and on hand	19,002	77,507	18	68,855
Short term deposits	1,651	8,250	-	2,500
	20,653	85,757	18	71,355

(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities

Profit from ordinary activities after income tax	16,242	9,659	98,030	4,291
Add/(less) non-cash items:				
Depreciation	9,210	2,791	-	-
Amortisation of goodwill	2,696	-	-	-
Share of joint venture entity net profit not received as a dividend	(1,556)	(4,444)	-	-
Loss on sale of non-current assets	-	2	-	-
Net gain on sale of non-current assets	-	-	(89,143)	-
Net cash provided by operating activities before changes in assets and liabilities	26,592	8,008	8,887	4,291

Change in assets and liabilities adjusted for effects of purchase of controlled entities during the financial year:

(Increase)/decrease in inventories	650	24	-	-
(Increase)/decrease in prepayments	(971)	5	(6)	(3)
(Increase)/decrease in future income tax benefits	(2,392)	(118)	-	(128)
(Increase)/decrease in trade debtors	(14,810)	956	-	-
(Increase) in other operating assets	(161)	(36)	(8,142)	(20)
(Decrease)/increase in accounts payable	3,628	(908)	(310)	1
(Decrease)/increase in provisions	2,586	(8)	-	-
(Decrease)/increase in deferred income	3,295	-	-	-
(Decrease)/increase in income taxes payable	2,979	(440)	(47)	(29)
(Decrease)/increase in deferred taxes payable	1,633	(29)	(3)	3
Net cash provided by operating activities	23,029	7,454	379	4,115

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 35 Notes to the statement of cashflows (continued)

Financing Facilities

As at 31 July 2005 the consolidated entity had access to the following financing facilities:

Secured bill acceptance facility	42,400	-	-	-
Equipment finance facility	1,000	-	-	-
	43,400	-	-	-
<hr/>				
Unused at balance date				
Secured bill acceptance facility	5,000	-	-	-
Equipment finance facility	1,000	-	-	-
	6,000	-	-	-

The unused bill facility may be drawn at any time with \$1,000,000 expiring 31/12/05 and \$4,000,000 expiring 31/7/09. The secured bills are subject to both fixed and floating interest rates.

Note 36. Earnings per share

	Consolidated	
	2005	2004
	Cents	Cents
Basic earnings per share	4.8	4.9
Diluted earnings per share	4.8	4.8

Prior year comparative figures have been adjusted for the bonus element, as a result of the rights issue during the year ended 31 July 2005

	Number	Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	341,600,310	199,059,246
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	343,449,907	202,013,051

	2005	2004
	\$'000	\$'000
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net profit	16,242	9,659
Net loss attributable to outside equity interest	257	-
Earnings used in calculating basic earnings per share	16,499	9,659
Diluted earnings per share		
Net profit	16,242	9,659
Net loss attributable to outside equity interest	257	-
Earnings used in calculating diluted earnings per share	16,499	9,659

S P Telemedia Limited and its Controlled Entities

Notes to the financial statements

Note 36 Earnings per share (continued)

Information concerning the classification of securities

(a) Options

Options granted to share holders under the S P Telemedia Limited Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 19.

Note 37. Events occurring after reporting date

Since the end of the financial year the directors have declared a fully franked dividend of 1.2 cents per share payable on 17 November 2005. The financial effect of this dividend has not been brought to account for the year ended 31 July 2005.

Note 38. Contingent Liabilities

The parent entity and consolidated entity had contingent liabilities at 31 July 2005 in respect of:

Guarantees

Guarantees given in respect of bank guarantees to customers and suppliers totalling \$4,834,142.

For information on contingent liabilities relating to joint ventures refer to note 33.

Note 39. Impacts of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 January 2006 and the year ending 31 July 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 August 2004.

Senior Management, the Audit Committee and the Board are aware that accounting policy changes will be required. To date, the Audit Committee has assumed responsibility and established a project team for managing the transition. The project team has prepared a timetable for managing the transition and is currently on schedule.

The consolidated entity remains in the process of transition in regards to accounting policies and financial reporting from current Australian GAAP to AIFRS. To date known or reliably estimable impacts on the financial report for the year ended 31 July 2005 had it been prepared using AIFRS are still being finalised.

In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS. The actual effects of transition to AIFRS may differ from the disclosures due to:

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 39 Impacts of adopting Australian equivalents to IFRS (continued)

- Ongoing work being undertaken by the project team.
- Potential amendments to AIFRS and interpretations thereof being issued by the AASB and the IASB.
- Emerging accepted practice in the interpretation and application of AIFRS and Urgent Issues Group (UIG) interpretation.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

i) *Income tax*

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

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

The tax effect of transaction costs on share issues would have to be recognised directly in equity resulting in an increase in current income tax expense and an increase in contributed equity of the company.

ii) *Intangible assets*

Goodwill

Under the AASB 3 *Business Combinations*, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit. For the year ended 31 July 2005 the group recognised goodwill amortisation expense in relation to the acquisitions of NBN Enterprises Pty Limited, Digiplus Investments Pty Limited and B Digital Limited. The calculation of the goodwill and the applicable amortisation will have to be recalculated under the new standard with goodwill amortisation to be adjusted against the retained earnings of the group upon adoption of AASB 3.

In respect of acquisitions prior to transition date, goodwill is expected to be included on the basis of its amortised cost, which represents the amount recorded under Australian GAAP, adjusted for re-classifications of other intangible assets not meeting with AIFRS recognition criteria or previously subsumed in goodwill. For acquisitions subsequent to 1 August 2004, the Company and consolidated entity have not finalised the assessment of separately identifiable intangibles which may be subsumed in goodwill under AGAAP. Goodwill will be stated at cost less any accumulated impairment losses. Goodwill will be allocated to cash generating units and tested annually for impairment.

Television licence

Intangible assets with an indefinite useful life will not be subject to amortisation but tested for impairment when impairment indicators are present, but at least at each reporting date. The project team are in the process of completing impairment analysis and identifying the cash generating units. For this reason the impact if any is not yet known or reasonably estimable.

Other intangible assets

For post transition acquisitions, other identifiable intangible assets acquired will be stated at cost less accumulated amortisation and impairment losses. As discussed above, the identification of separately identifiable intangibles for acquisitions occurring in the financial year has not been finalised as insufficient time has been available to the Company since the completion of these acquisitions to appropriately complete this analysis.

Intangible assets being considered for separate identification include the acquired customer bases, brand, advertising arrangements and the entitlement to airtime commission.

Note 39 Impacts of adopting Australian equivalents to IFRS (continued)

iii) *Impairment of Assets*

Under current Australian GAAP the carrying amount of non-current assets valued on a cost basis are reviewed at reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of non-current assets exceeds the recoverable amount, the asset is written down to the lower amount, with the write-down recognised in the income statement in the period in which it occurs. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

Under AIFRS, the carrying amount of the consolidated entity's non-current assets, excluding deferred tax assets, goodwill and indefinite life intangible assets will be reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset will be tested for impairment by comparing its recoverable amount to its carrying amount.

Goodwill, which is not amortised under AIFRS is tested for impairment annually. If there is any indication that an asset is impaired, the recoverable amount will be estimated for the individual asset. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs will be determined.

A cash generating unit will be the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or group of assets, each cash-generating unit must be no larger than a segment.

An impairment loss will be recognised whenever the carrying amount of an asset, or its cash-generating unit exceeds its recoverable amount. Impairment losses will be recognised in the income statement unless they relate to a revalued asset, where the impairment loss will be treated in the same way as a revaluation decrease.

Impairment losses recognised in respect of a cash-generating unit will be allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit pro rata based on their carrying amounts.

Management are in the process of completing the impairment analysis and identifying the cash generating units. For this reason the impact if any is not yet known or reliably estimable.

iv) *Amortisation*

Amortisation will be recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless useful lives are indefinite. Goodwill and intangible assets with an indefinite life will not be subject to amortisation but tested for impairment annually. Other intangible assets will be amortised from the day they are available for use. The determination of estimated useful lives will be known once the un-finalised assessments noted above are complete.

v) *Accounting for subscriber acquisitions*

(a) Commission revenue

Under AGAAP activation and retention commission revenue is recognised when the fee in respect of the services is earned. This has been when the customer is activated or is retained.

Under AIFRS, revenue for services that are performed over a contract period are recognised on a straight-line basis over the specified contract period. Therefore activation and retention commission revenues are deferred and amortised over the contract term.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 39 Impacts of adopting Australian equivalents to IFRS (continued)

(b) Handset revenue and cost of sale

Under AGAAP those handsets offered as part of the total telecommunication service contract were not separately identified as a handset sale, rather the provision of the telecommunications service, inclusive of the handset, was treated as one transaction.

Under AIFRS multiple elements of a single transaction are separately recognised. Accordingly revenue arising from handset sales is separately recognised at the time of delivery and is measured at fair value. Where the handset sale is settled through instalments, interest revenue is recognised over the contract term.

As all handset revenue is now separately recognised, all related handset costs are expensed at the time of delivery.

(c) Subscriber acquisition costs

Under AGAAP capitalised subscriber costs include handset and other costs directly attributable to the acquisition and retention of subscriber contracts. Where costs attributable to acquisitions exceed associated revenues, costs, net of revenue, are deferred.

Under AIFRS UIG.1042 Subscriber Acquisition Costs in the Telecommunication Industry specifically excludes handset costs which are now expensed as discussed above. As commission received is now separately deferred, acquisition costs are capitalised on a gross basis.

vi) Share based payments

Under current Australian GAAP no expense is recognised for options or shares that are equity settled issued to employees. Under AIFRS, the fair value of options and shares that are equity settled must be recognised as an employee benefit expense with a corresponding increase in equity.

The fair value must be measured at grant / issue date taking into account market performance conditions only, and spread over the vesting period during which the employees become unconditionally entitled to the options and shares.

vii) Financial instruments

The group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* only from 1 August 2005. This allows the group to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 31 July 2006 financial year.

Under AASB 132, the current classification of financial instruments issued by the company would not change.

Under AASB 139, financial assets held by entities in the consolidated group will be classified as either at fair value through profit and loss, held to maturity, available for sale or loans and receivables and depending on classification measured at fair value and amortised.

Under AASB 139, investments in

- non-traded equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.
- Traded equity securities will be classified as held for trading and measured at fair value, with changes in fair value recognised in the profit or loss.
- Loans and receivables and financial liabilities classifications will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

This will result in a change to the current accounting policy under which financial assets are carried at the lower of cost and recoverable amount with changes recognised in profit or loss.

S P Telemedia Limited and its Controlled Entities
Notes to the financial statements

Note 39 Impacts of adopting Australian equivalents to IFRS (continued)

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of financial assets or liabilities from the application of AIFRS during the year 31 July 2005. Changes in classification and measurement will be recognised from 1 August 2005.

S P Telemedia Limited and its Controlled Entities
Directors' declaration

The directors declare that the financial statements and notes set out on pages 12 to 48.

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 31st July 2005 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney this 19th day of October 2005

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

R.D. Millner

M.J. Millner

S P Telemedia Limited and its Controlled Entities

Independent Audit Report to the Members of S P Telemedia Limited

Audit opinion

In our opinion, the financial report of S P Telemedia Limited

gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of S P Telemedia Limited and the S P Telemedia Group (defined below) as at 31 July 2005 and of their performance for the year ended on that date, and

is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both S P Telemedia Limited (the company) and the S P Telemedia Group (the consolidated entity), for the year ended 31 July 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

S P Telemedia Limited and its Controlled Entities

Independent Audit Report to the Members of S P Telemedia Limited

Independence

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

PricewaterhouseCoopers

G S Lourey
Partner

Newcastle

S P Telemedia Limited and its Controlled Entities

**Independent Audit Report to the Members of
S P Telemedia Limited**

THIRD PAGE OF AUDIT REPORT TO BE INSERTED

S P Telemedia Limited and its controlled entities

Shareholder information

The shareholder information set out below was applicable as at 30th September 2005.

A. Distribution of equity securities

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

			Class of equity security	
			Ordinary shares	
			Shares	Options
1	–	1,000	278	256
1,001	–	5,000	1,319	255
5,001	–	10,000	1,030	27
10,001	–	100,000	1,789	16
100,001		and over	140	1
			4,556	645

There were 28 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Ordinary shares	
	Number held	Percentage of issued shares
Washington H. Soul Pattinson & Company Limited	180,144,838	50.97
RBC Global Services Australia Nominees Pty Limited (PIPOOLED A/c)	19,671,119	5.57
Equity Trustees Limited	9,383,986	2.66
Cogent Nominees Pty Limited	8,271,404	2.34
J P Morgan Nominees Australia Limited	6,186,486	1.75
National Nominees Limited	5,626,195	1.59
Westpac Custodian Nominees Limited	5,150,391	1.46
Invia Custodian Pty Limited	4,001,800	1.13
Farjoy Pty Limited	3,834,943	1.09
Brickworks Investment Company Limited	3,322,223	0.94
RBC Global Services Australia Nominees Pty Limited (PIIC A/c)	3,068,953	0.87
AMP Life Limited	2,606,963	0.74
Queensland Investment Corporation	2,017,400	0.57
Citicorp Nominees Pty Limited (CFSIL CWLTH AUST SHS 4 A/c)	1,978,027	0.56
Milton Corporation Limited	1,776,588	0.50
Choiseul Investments Limited	1,680,517	0.48
Mr. Noel Francis Mitchell	1,552,778	0.44
Dixson Trust Pty Limited	1,408,382	0.40
J S Millner Holdings Pty Limited	1,361,667	0.39
Citicorp Nominees Pty Limited	1,315,404	0.37
	264,360,064	74.82

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	Percentage
Ordinary shares		
Washington H. Soul Pattinson and Company Limited	180,144,838	50.97
RBC Global Services Australia Nominees Pty Limited (PIPOOLED A/c)	19,671,119	5.57

S P Telemedia Limited and its controlled entities
Shareholder information

D. Voting rights

The voting rights attaching to each class of equity securities are set out below:

- (a) 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.
- (b) Options
No voting rights.

STOCK EXCHANGE LISTING

S P Telemedia Limited shares are listed on the Australian Stock Exchange and trade under the ASX code SOT.

S P Telemedia Limited and its Controlled Entities
ABN 46 093 058 069

For the year ended 31 July 2005

CORPORATE GOVERNANCE STATEMENT

The S P Telemedia Limited Board is committed to ensuring its policies and practices reflect good corporate governance and recognises that for the success of the Company an appropriate culture is nurtured and developed throughout all levels of the Company.

This statement outlines the Company's Corporate Governance practices in place throughout the year and has been summarised into sections in line with the 10 essential corporate governance principles specified in the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations".

ASX Principle 1 – Lay solid foundations for management and oversight

The Board is ultimately responsible for the operations, management and performance of the Company. In discharging this responsibility the Board delegates to senior management whose role it is to manage the Company in accordance with the directions and policies set by the Board. The Board monitors the activities of senior management in the performance of their delegated duties.

It is the responsibility of the Board to determine policies, practices, management and the operations of the Company and to ensure that the Company is compliant with statutory, legal and other regulatory obligations.

- Responsibilities of the Board include the following:
- Determining corporate strategies, policies and guidelines for the successful performance of the Company in the present and in the future;
- Monitoring the performance and conduct of the Company;
- Accountability to shareholders;
- Ensuring that risk management procedures and compliance and control systems are in place and operating effectively;
- Monitoring the performance and conduct of senior management, and ensuring adequate succession plans are in place; and
- Ensuring the Company continually builds an honest and ethical culture.

ASX Principle 2 – Structure the Board to add value

- In accordance with the Company's constitution, the Board should comprise no less than 3 or more than 10 Directors.
- The names of the Directors of the Company at the date of this statement are set out in the Directors' Report.
- At the date of this report the Board consists of 6 non-executive directors. Directors' details are contained in the Directors' Report.
- Under ASX Best Practice Recommendations the non executive directors are not independent for the following reasons: -

Mr. Robert Millner, Mr. Michael Millner, Mr. Peter Robinson and Mr. David Fairfull are all directors of Washington H. Soul Pattinson and Company Limited the parent entity of S P Telemedia Limited.

- Whilst the non-executive directors cannot be considered "independent" in accordance with the ASX Best Practice recommendations, all Directors are expected to bring their independent views and judgement to the Board and, in accordance with the Corporations Act 2001, must inform the Board if they have any interest that could conflict with those of the Company. Where the Board considers that a significant conflict exists it may exercise its discretion to determine whether the Director concerned may be present at the meeting while the item is considered.
- In the discharge of their duties and responsibilities, the Directors individually (as well as the Board) have the right to seek independent professional advice at the Company's expense. However, for advice in respect of individual Directors prior approval of the Chairman is required, which would not be unreasonably withheld. The Chairman is entitled to receive a copy of any such advice obtained.
- The nomination committee consists of the non-executive directors who periodically review the membership of the Board having regard to the Company's particular needs, both present and future. Where a director is due for re-election at the next Annual General Meeting that director will not serve on the Nomination Committee during the year preceding re-election.

S P Telemedia Limited and its Controlled Entities
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For the year ended 31 July 2005

- Directors are initially appointed by the full Board, subject to election by shareholders at the next Annual General Meeting. Under the Constitution, one third of the Board retire from office each year and submit themselves for re-election by shareholders at the Annual General Meeting.

ASX Principle 3 – Promote ethical and responsible decision making

The Company has an established code of conduct dealing with matters of integrity and ethical standards. All directors, executives and employees are expected to abide by the code of conduct which covers a number of areas including the following:-

- Professional conduct.
- Ethical standards.
- Standards of workplace behaviour and equal opportunity.
- Relationships with customers, suppliers and competitors.
- Confidentiality and continuous disclosure.
- Anti-discrimination and harassment.
- Trading in Company securities.
- The environment.

A summary of the main principles of the S P Telemedia Limited's share trading policy are as follows:-

- The policy relates to trading in shares of the Company and associated entities of the Company that are publicly listed.
- Trading is prohibited when directors and employees are in possession of price sensitive information which is not available to the public.
- The Company has established the following share trading windows each for a period of 6 weeks commencing from:
 1. The release of the Company's annual result to the Australian Stock Exchange.
 2. The release of the Company's half yearly result to the Australian Stock Exchange.
 3. The date of the Annual General Meeting.
 4. The release of a prospectus.
- At times other than those referred to above, directors etc., may trade with the prior approval of the Chairman, or in his absence, two directors.

ASX Principle 4 – Safeguard integrity in financial reporting

S P Telemedia Limited has an established audit committee, which has its own charter outlining the committee's function, composition, authority, responsibilities and reporting. The current members of the audit committee are the non executive directors Mr. D.J. Fairfull (Chairman) and Mr. M.J. Millner. The other non-executive directors, financial controller, company secretary and the internal auditor may attend audit committee meetings by invitation.

The company does not comply with Best Practice Recommendation 4.3 in so far as the audit committee does not have a majority of independent directors.

The external auditors (Pricewaterhouse Coopers) are requested by the audit committee to attend the appropriate meetings to report on the results of their half-year review and full year audit.

The external and internal auditors both have direct access to the audit committee if required.

The function of the audit committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- The external reporting of financial information, including the selection and application of accounting policies;
- The independence and effectiveness of the external auditors;
- The effectiveness of internal control processes and management information systems;
- Compliance with the Corporations Act, ASX Listing Rules and any other applicable requirements; and
- The application and adequacy of risk management systems within the Company.

S P Telemedia Limited and its Controlled Entities
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For the year ended 31 July 2005

ASX Principle 5 – Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy to ensure compliance with the ASX Listing Rules and the Corporations Act continuous disclosure requirements. The policy requires timely disclosure through the ASX companies' announcement platform of information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities. The Board is responsible for determining disclosure obligations and the Company Secretary is the nominated continuous disclosure officer for the Company.

ASX Principle 6 – Respect the rights of shareholders

- The Board is committed to ensuring that shareholders, the stock market and other interested partners are fully informed of all material matters affecting the Company. The dissemination of information is mainly achieved as follows:-
- An Annual Report is distributed to shareholders in October each year
- The Chairman's Address to the Annual General Meeting is distributed to shareholders in November each year
- Where possible, significant information is posted on the Company's internet website as soon as it is disclosed to the market.
- The external auditor is requested to attend the annual general meeting to answer shareholders questions about the conduct of his audit and the content of the auditor's report.

ASX Principle 7 – Recognise and manage risk

The Company is committed to identifying and managing areas of significant business risk to protect shareholders, employees, earnings and the environment. Arrangements in place include:-

- Regular detailed financial, budgetary and management reporting.
- Procedures to manage financial and operational risks.
- Established organisational structures, procedures and policies dealing with the areas of health and safety, environmental issues, industrial relations and legal and regulatory matters.
- Comprehensive insurance and risk management programs.
- Procedures requiring Board approval for all borrowings, guarantees and capital expenditure beyond minor levels.
- Where applicable, the utilisation of specialised staff and external advisors.

ASX Principle 8 – Encourage enhanced performance

The non-executive directors review the performance of senior executive staff annually.

The Chairman reviews the performance of non-executive directors with any unsatisfactory performance referred to the remainder of the Board.

The efficiency, effectiveness and operations of the board are continuously subject to informal monitoring by the Chairman and the board as a whole.

ASX Principle 9 – Remunerate fairly and responsibly

The remuneration Committee consists of the non-executive Directors whose main responsibility is to make recommendations to the full Board on remuneration matters and other terms of employment for executive directors, senior executives and non-executive directors.

Non executive directors' fees are reviewed annually by the full Board after taking into consideration the Company's performance, market rates, level of responsibility and the recommendations of the Remuneration Committee. The aggregate amount of fees which may be paid to non-executive directors is subject to the approval of shareholders at the Annual General Meeting and is currently set at \$500,000 per annum.

The Company does not have any equity based remuneration arrangements in place.

Further information of Directors' and executives' remuneration is set out in the Notes to the financial statements.

ASX Principle 10 – Recognise the legitimate interest of stakeholders

S P Telemedia Limited and its Controlled Entities
ABN 46 093 058 069

For the year ended 31 July 2005

In this Corporate Governance Statement reference has already been made to the Code of Conduct under which the Company operates. The Code is designed to comply with the legal and other obligations of legitimate stakeholders and other interested parties and to foster a culture of compliance.

End statement