Appendix 4E

Preliminary Final Report

Year ended 30 June 2005

Lodged with the ASX under Listing Rule 4.3A. This information should be read in conjunction with the 30 June 2005 Annual Financial Report.

Name of entity

B Digital Ltd	**99 085 089 970**

Results for announcement to the market

				$A'000
Revenues from ordinary activities	Up	17%	to	330,241
Profit from ordinary activities after tax attributable to members	Up	54%	to	17,930
Net profit for the year attributable to members	Up	54%	to	17,930

Dividends

The Company has declared a fully franked dividend of 1 cent per share on the 13 September 2005 payable to shareholders on 13 December 2005 who are registered on home exchange on 30 November 2005.

Tangible assets

	30 June 2005 $	**30 June 2004 $**
Net tangible assets backing per ordinary security	0.10	0.06

Compliance Statement

This report is based on accounts that have been subject to audit.

Desmond J Kelly
Company Secretary

Date: 13 September 2005

B Digital Limited

and its controlled entities

ABN 99 085 089 970

Financial Report

30 June 2005

Chairman's Report

Fiscal 2005 saw the achievement of some major milestones for B Digital, with the Company building a profitable home services business, which delivered significant growth in its key financial metrics: revenue, earnings before tax before goodwill amortisation and significant items (EBITA) and net profit after tax (NPAT). By year end, the Company was providing over 575,000 active services to mainly residential customers in Australia and New Zealand. During the period, B Digital also pursued growth through acquisition, entering into a strategic alliance with SP Telemedia Limited (SOT) to acquire 100% ownership of its regional Kooee brand and a 50% interest in IP infrastructure assets of the former Comindico business (SPTCom). The benefits of this acquisition will be seen in Fiscal 2006, but more so into Fiscal 2007 and beyond.

Thus, B Digital's fiscal 2005 results largely came from existing consumer services operations. In this business, with significant competition in the Australian telecommunications market, B Digital focused on streamlining its cost structure and improving customer retention. As a result, despite a slowing of growth in the customer base, revenue grew by 17%.

There was also a considerable and consistent improvement in profit after tax. During the year, B Digital generated an operating profit before tax of $19.2 million. After bringing a tax expense of $1.3 million to account, after tax profit was $17.9 million, a 54% increase on the prior year.

The Company ended the financial year with a cash balance of $13.9 million down from $29 million in the previous year. This was due to a number of significant out flows during the year including: the purchase of Kooee and a 50% interest in SPTCom; the payment of our first dividend from the 2004 year earnings; and our investment in the B Shop venture.

Positioning for growth through acquisition

On 21 April 2005, shareholders approved the acquisition of Kooee and the 50% interest in SPTCom through the issue of 240,000,000 B Digital shares and $13.75 million in cash.

The addition of Kooee, a profitable rural and regional internet and fixed line telephone reseller, adds approximately 25,000 corporate and residential customers to the B Digital base. The less competitive rural and regional market segment is highly attractive for B Digital, particularly as Kooee has a relationship with NBN and WIN free to air television, which provide advertising services that promote Kooee in their respective broadcast areas.

The purchase of 50% of SPTCom (assets of the former Comindico Group) gives B Digital access to IP Network infrastructure, including a stake in a fully converged IP voice and data network and associated software and operating systems. It also provides inter-connection agreements with a number of national and international carriers. Importantly, this association will reduce B Digital's dependence on traditional carriers as the market for IP-based voice and data services expands.

Creating a full service offering

In the last financial year, B Digital repositioned itself to better support a full service telecommunications offering. To this end, the Company took deliberate steps to both increase its brand presence and improve the quality of its distribution channel. This included entering into a 50% partnership with B Shop.

At the same time, the Company increased efficiencies and cost savings by improving business processes and realigning its operations to incorporate the full service product suite. Customer retention improved during the year as the business introduced its other service offerings and bundling options while maintaining a value proposition.

Dividend

During the year, the Company paid its maiden one cent fully franked dividend.

Since the end of the financial year the Company has declared its second fully franked one cent dividend payable on 13 December 2005.

Changes to the Board

During the year, shareholders approved the appointment of four new non-executive directors. Denis Ledbury, Peter Cleaves, David Fairfull were SOT nominees, appointed as part of the strategic alliance with that company. In addition, Bill Egan was appointed in December 2004, following the resignation of Professor Murray Wells.

In November 2004, Peter George, who spent part of the year as acting Chairman and Managing Director, was appointed Managing Director of B Digital for the term of two years. Peter's extensive experience in telecommunications will be vital as B Digital works to incorporate its acquisitions into its operating structure and exploit its growth opportunities.

Outlook

Before the benefits of B Digital's strategic acquisitions are felt, there is much work to be done in integrating the Kooee business into the traditional B operating framework and supporting the operations of SPTCom.

At the same time, the traditional B Business will need to concentrate on developing its value proposition on the full range of telecommunications products in an increasingly competitive market. In doing so, success will depend on sustaining high customer service levels, containing costs and continuing to develop the B brand.

For the coming financial year, the Directors expect the Group operation to continue to grow it's number of services whilst increasing profits and the cash balance.

David Fairfull
Chairman

Peter George
Managing Director

13 September 2005

Corporate Governance Statement

Introduction

B Digital Limited has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised below.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.bdigital.com.au :

(a) statement of Board and management functions, including details of materiality threshold;

(b) summary of policy and procedure for selection and appointment of new directors;

(c) summary of code of conduct for directors and key executives;

(d) code of conduct for the Company;

(e) summary of policy on securities trading;

(f) policy and procedure for selection of external auditor and rotation of audit engagement partners;

(g) summary of policy and procedures for compliance with continuous disclosure requirements;

(h) summary of arrangements regarding communication with and participation of shareholders;

(i) summary of Company's risk management policy and internal compliance and control system; and

(j) summary of process for performance evaluation of the Board, Board committees, individual directors and key executives.

Explanations For Departures From Best Practice Recommendations

Corporate Governance Disclosures

During the Company's 2004/2005 financial year ("**Reporting Period**") the Company has complied with each of the Ten Essential Corporate Governance Principles[1] and the corresponding Best Practice Recommendations (BPR)[2], other than in relation to the matters set out in the following paragraphs.

Between 1 July 2004 and 11 August 2004 and 6 December 2004 and 30 June 2005, Peter George and Bill Egan respectively were the only members of the Board who satisfied the test of independence as set out in box 2.1 of the ASX Corporate Governance Council Practice Guidelines. David Fairfull, Denis Ledbury and Peter Cleaves are Directors of SP Telemedia Limited, the ultimate controlling entity of the Company. Nevertheless, the Board is of the view that the experience of these Directors is of great value to the Company and, in the circumstances, the scope of these Directors to make decisions that conflict with the best interest of all shareholders is limited. The Board considers that its composition to date has been appropriate and has enabled it to properly discharge its functions.

The Company does not have a Nomination Committee, which is recommended by BPR 2.4. Given the Board comprises six members, it was decided that no efficiencies would be achieved by establishing a separate Nomination Committee. The whole Board carries out the duties that would otherwise be undertaken by the Nomination Committee.

The composition of the Audit Committee (Murray Wells, non-independent, and Peter George, independent) did not meet the criteria as set out in BPR 4.3 between 1 July 2004 and 11 August 2004. The Audit Committee did not meet the composition requirements for the remainder of the financial year with Mr Bill Egan as the only independent Director from 6 December 2004 due to the structure of the Board.

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[1] A copy of the Ten Essential Corporate Governance Principles are set out on the Company's website under the Section entitled "Corporate Governance".

[2] A copy of the Best Practice Recommendations are set out on the Company's website under the section entitled "Corporate Governance".

Identification of Independent Directors

The Company considers Bill Egan to be an independent director in accordance with the test for independence as set out in box 2.1 of the ASX Corporate Governance Council Practice Guidelines.

Statement Concerning Availability of Independent Professional Advice

Each director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the consolidated entity's expense. A copy of advice received by the director is made available to all other members of the Board.

Nomination Committee Meetings

The full Board performs the functions of the Nomination Committee. The full Board did not convene as the Nomination Committee during the reporting period, however any relevant issues were dealt with during regular Board meetings on an as-required basis. It is proposed that the Nomination Committee for this forthcoming financial year will become a function of the Remuneration Committee Charter.

Names and qualifications of Audit Committee members

Since 28 April 2005, the following directors have been members of the Audit Committee:

- Denis Ledbury (Committee Chairman)
- Peter Cleaves
- Bill Egan

All audit committee members meet the audit committee qualification criteria by virtue of their substantial experience in senior corporate management positions and numerous academic qualifications in finance, legal and business related fields.

Number of Audit Committee Meetings and names of attendees

During the Reporting Period the Audit Committee held 4 meetings. Prior to 6 December 2004, the Audit Committee comprised Peter George and Murray Wells. From 6 December 2004 to 28 April 2005, the Audit Committee comprised Peter George and Bill Egan. From 28 April 2005 to 30 June 2005 the Audit Committee comprised Denis Ledbury (Chairman), Peter Cleaves and Bill Egan. All members except for Peter Cleaves attended all of the meetings.

Company's Remuneration Policies

The Company's constitution provides that the remuneration of non-executive directors will not be more than the aggregate fixed sum determined by a general meeting, but until a general meeting makes that determination, not more than the sum determined by the directors. The directors have determined that the aggregate annual remuneration of the non-executive directors will not be more than $600,000. Non-executive directors are also entitled to be paid reasonable travel, accommodation and other expenses incurred at meetings of directors and otherwise in the execution of their duties as directors.

No separate directors' fees are paid to the executive directors.

The remuneration of executive directors is fixed by the directors and may be by way of fixed salary or commission on profits of the Company, but is not made by way of commission on operating revenue.

The Remuneration Committee may rely on external advice and surveys to assist in determining appropriate levels of remuneration for the directors.

Names of Remuneration Committee Members and their attendance at committee meetings.

Prior to 6 December 2004, the Remuneration Committee comprised Peter George and Murray Wells. From 6 December 2004 to 28 April 2005 the Remuneration Committee comprised Peter George and Bill Egan. From 28 April 2005 to 30 June 2005 the Remuneration Committee comprised Dennis Ledbury and Bill Egan. The Remuneration Committee held two formal meetings during the Reporting Period and for all other instances, the Remuneration Committee met informally, and all proposed actions received approval by the full Board.

Remuneration Report

The remuneration report is set out on pages 13 to 15 and forms part of the Directors Report for the financial year ended 30 June 2005.

Existence and terms of any schemes for retirement benefits for non-executive directors

There are no retirement benefits for non-executive directors.

Directors' Report

The Directors present their report together with the financial report of B Digital Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2005 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Name and independence status	Age	Experience, Qualification and Special Responsibilities
David Fairfull Chairman	63	David Fairfull has been on the board of directors of SOT since it listed in 2000. He also has extensive experience in finance, investment and merchant banking. A former Director of Kleinwort Benson Limited, a prominent UK merchant bank, and the Managing Director of Kleinwort Benson Limited's Australian operations, he has been retained as an adviser to numerous companies in a variety of industries. Mr Fairfull held the position of CEO of The Glebe Administration Board for some 10 years. His directorships also include Australian Pharmaceutical Industries Limited, New Hope Corporation Limited, Stockland Trust Group, Souls Private Equity Limited and Washington H Soul Pattinson and Company Limited. Mr Fairfull is also the current Managing Director of Pitt Capital Partners Limited. Appointed 28 April 2005.
Peter George Managing Director	52	Peter George is an experienced Executive and Non Executive Company Director in the telecommunications industry. He was a Non Executive Director of Optus Communications from 1994 to 1998 and Executive Director, Strategy and Policy Development with Cable & Wireless Optus Limited from early 1998 to late 2001. He is also a Non Executive director of PMP Limited and Nylex Limited, . Mr George holds a degree in commerce and law from the University of NSW. Appointed 1 January 2004. Appointed Acting Managing Director 11 August 2004. Appointed Managing Director 23 November 2004. Appointed Acting Chairman 6 December 2004 until 28 April 2005.

Name and independence status	Age	Experience, Qualification and Special Responsibilities
William (Bill) Egan Non-Executive Director	55	William (Bill) Egan has some 38 years experience in the Australian telecommunications industry including leading roles with both the major telecommunications companies and their smaller competitors. He gained early experience with Telstra in Queensland and then Aussat, the Australian satellite company, before joining the fledgling AAPT, the first competitive service provider in Australia. He helped grow that company to become one of the major players in the industry, holding senior positions in the Technical, Operations, Sales and Strategic Planning areas. As Managing Director of Associated Service Providers, he helped establish a number of new competitors in the industry by providing wholesale services and support. Mr Egan has been on the board of directors of various telecommunications companies including: Connect (an Internet Service Provider); Call Australia (a telephony reseller); Transact (a Pay TV and full service telephony provider in the ACT); Comindico Holdings Pty Limited ; SPTCom Pty Limited as well as a Director of SPAN – the Service Provider Association. Mr Egan holds Bachelor of Engineering (Honours) Electrical from the University Of Queensland, and a Master of Science in Telecommunications Systems from the University of Essex in the United Kingdom. Appointed 6 December 2004.
Denis Ledbury Non-Executive Director	55	Denis Ledbury has recently retired as the Managing Director of SOT remaining as a Director, and has extensive experience in the media and telecommunications industries. He has been the Managing Director of the SOT business since its formation 6 years ago. Mr Ledbury has also been associated with the NBN group of companies for over 24 years (the last 14 as Chief Executive Officer). The NBN group has primarily been involved in television broadcasting, but it has also owned and operated businesses in a number of other industries. Mr Ledbury holds a Bachelor of Business Degree and is a member of The Australian Institute of Company Directors. Appointed 28 April 2005.
William Peter Cleaves Non-Executive Director	70	William Peter Cleaves is a solicitor and barrister with extensive experience in the media and telecommunications industry. Mr Cleaves is currently a Director of SOT and until being appointed to the board of SOT, he was a director of NBN and many of its subsidiaries since 1979. Appointed 28 April 2005.
Nick Kotzohambos Executive Director	43	Nick Kotzohambos is one of the founders of the DigiPlus business. He commenced employment with Caltex in 1979 as a management accountant responsible for the production of group financial reporting. From 1988, Mr Kotzohambos specialised in systems development, working on a contract basis with major telecommunications organisations. In 1997, Mr Kotzohambos designed and implemented the billing and database system for DigiPlus. Since 1997 he has been Chief Financial Officer of DigiPlus. He holds a Bachelor of Commerce from the University of New South Wales. Appointed 1 January 2004.

Name and independence status	Age	Experience, Qualification and Special Responsibilities
Professor Murray Wells Chairman	68	Appointed 3 September 1999 as Non Executive Director and appointed Chairman 23 October 2001. Resigned 6 December 2004.
Sean Gentry Former Managing Director	40	Appointed 3 September 1999. Resigned 11 August 2004.
Mr Peter Lewis Alternate Director	41	Appointed 23 May 2000. Resigned 6 December 2004.

Company Secretary

Mr Kelly holds a Bachelor of Commerce degree from the University of Western Australia, is a member of CPA Australia and the Institute of Company Directors. Mr Kelly holds several positions of Company Secretary for both listed and unlisted public companies. Mr Kelly was appointed to the position of Company Secretary in August 2000.

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

	Board Meetings		Audit Committee Meetings		Special Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr David Fairfull (Chairman appointed 28 April 2005)	3	3	-	-	-	-
Mr Peter George (Managing Director appointed 11 August 2004)	22	22	3	3	3	3
Mr Denis Ledbury (appointed 28 April 2005)	3	3	1	1	1	1
Mr Peter Cleaves (appointed 28 April 2005)	3	2	1	-	-	-
Mr William Egan (appointed 6 December 2004)	9	9	2	2	2	2
Mr N Kotzohambos	22	20	-	-	1	1
Prof M Wells (resigned 6 December 2004)	13	13	2	2	1	1
Mr Peter Lewis (resigned 6 December 2004)	13	5	2	2	-	-
Mr S Gentry (resigned 11 August 2004)	5	4	-	-	-	-
Total held during the year	22		4		4	

Special Directors' meetings are those called for a specific purpose or at short notice. The number of meetings held reflects the number of meetings held while the Director concerned was in office during the year. Twenty two Ordinary Board Meetings were held during the year.

The Remuneration Committee met twice during the year and is included in the Special Committee section. All other remuneration issues arising during the year were addressed during Ordinary Board Meetings.

Principal activities

The principal activity of the consolidated entity during the course of the financial year was the sale of mobile telephone handsets and telecommunication services to consumers in Australia. Trading as "*B Mobile"* (formerly "*clear and simple"), B Home Phone, B Internet, DigiPlus and Kooee,* the group purchased network access and airtime at wholesale rates from network operator (Optus and Telstra) and resold that access and airtime to consumers.

Review and results of operations

Acquisition of Kooee and 50% of SPTCom

On 28 November 2004, B Digital, SOT, Kooee and Digiplus Pty Limited entered into a binding heads of agreement, under which B Digital agreed to procure the acquisition of 100% of the shares in Kooee and 50% of the shares in SPTCom, in exchange for the issue to SOT of 240,000,000 B Digital Shares and the payment, by B Digital, of $13.75 million in cash. This transaction was approved by shareholders at a General Meeting on 21 April 2005.

The respective businesses of B Digital, SPTCom and the SOT Group are complementary and provide the opportunity for various business synergies to be pursued by B Digital in the future. For example, while B Digital acquires and resells telecommunications services it also has its own billing and collection activities, call centre and customer service representatives to support its customer base. Neither the SOT Group nor SPTCom have a developed capacity to conduct these activities for mass market residential and smaller corporate customers. Equally, if IP enabled telecommunications services become more attractive to the residential market as anticipated, B Digital will be able to use capacity on the SPTCom network to serve residential customers requiring these services.

In the last quarter of fiscal 2005, the Company began migrating Kooee customers to B Digital. This has taken longer than originally anticipated. It is only now with the migration complete, that we are able to assess the impact on future earnings. It is likely the profits initially forecast have been delayed 12 – 18 months because of this, however this will only be fully understood in coming months as customer activity stablises to reflect normalised churn and usage patterns.

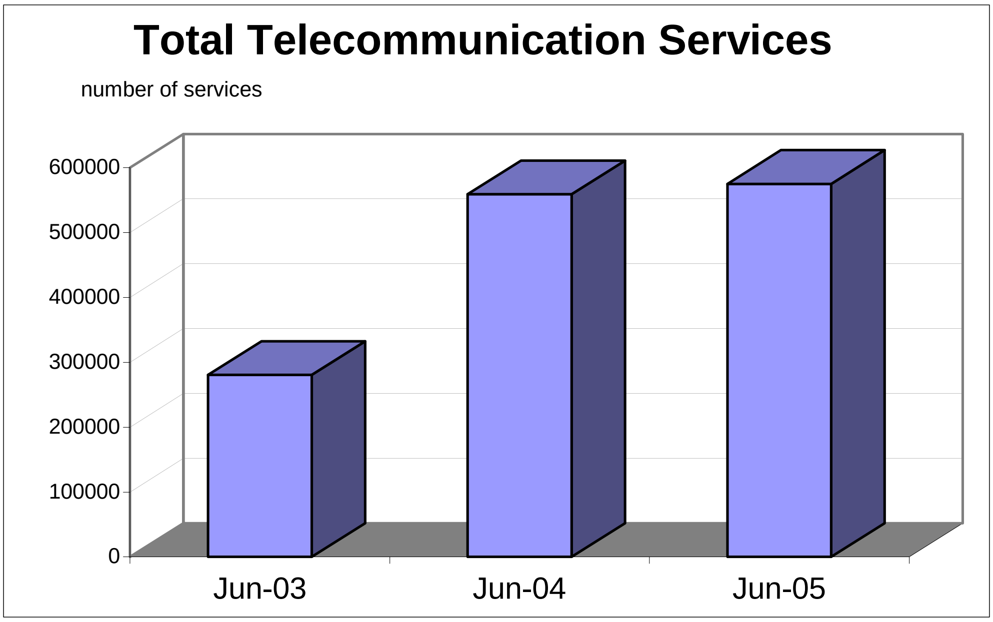
Strong subscriber and service growth

In fiscal 2005, B Digital grew its total telecommunication services to nearly 575,000, with 45,000 of these services acquired as part of the Kooee acquisition

The Company continued its focus on acquiring contracted post paid customers. This included a degree of cross selling of the other services into the existing base. At the end of the Fiscal 2005 the Company had 21% of customers with two or more services, with services being defined as any combination of mobile, internet or fixed line.

ADSL services were introduced in February 2005. Our ability to secure competitive pricing and our reluctance to sell this service below cost has seen a slower than anticipated take up of this service with 5,000 ADSL services sold to 30 June 2005.

Results of Operation



Lean cost structure

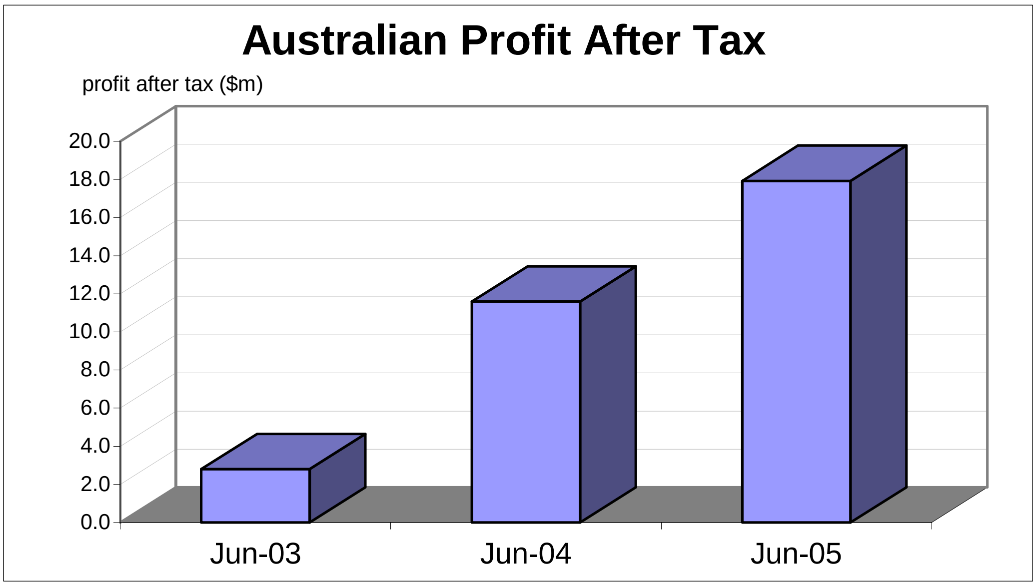
The Group delivered this growth while keeping the costs of servicing its subscriber base among the lowest in the industry – enabling the Group to keep its prices competitive while continuing to grow its bottom line. Managing call centre costs and overheads were again a high priority during the year as was improving customer management systems to boost customer retention.

Consistent NPAT improvement

During the financial year the Group generated an operating profit before tax and significant items of $21.5 million (after significant items $19.2 million). After bringing a tax expense of $1.3 million into account, the Company generated an after tax profit of $17.9 million.

The graph below reflects the considerable and consistent improvement in profit after tax of the business.

[1] [1] Includes the acquisition of 45,000 services as part of the Kooee acquisition at 21 April 2005



Increasing cash flow

A large proportion of cash generated from the B Mobile subscriber base was reinvested in acquiring additional customers whose expected cash flows will deliver an appropriate return on that investment. Notwithstanding this, the Group's June 2005 cash balance of $13.9 million is after cash provided by operating activities of $15.3 million.

For the coming financial year, the Directors expect the Group operation to continue to grow its number of services while increasing profits and cash balance.

Dividends

Since the end of the previous financial year, the Company paid a fully franked 1 cent dividend totalling $5.88 million.

Events subsequent to reporting date

Dividends

Since the end of the financial year, the directors declared a fully franked 1 cent dividend payable on 13 December 2005 totalling $8.3 million. The financial effect of this dividend has not been brought to account for the year ended 30 June 2005 and will be recognised in subsequent financial years in accordance with Australian GAAP.

Options

During September 2005, 2,759,400 Options pursuant to the Executive Share Option Plan were granted resulting from the achievement of the 2005 financial year EPS hurdle. Refer Note 24 for further detail.

Working capital and financing facility

Since the end of the financial year, the Company has been offered a $15 million working capital and financing facility from bankers. Final pricing negotiations are ongoing.

Likely development

B Digital will continue to profitably grow its active services base in the Australian and New Zealand markets by maintaining its focus on steadily acquiring and efficiently managing creditworthy customers within the telecommunications market.

To this end, it will leverage off the B, DigiPlus and Kooee challenger brands for new customer acquisition, while continuing to push fixed line voice and internet access services to existing and new customers.

New customer acquisition growth will be driven by increasingly cross selling and promoting the other services. The Company will also continue with traditional value offerings packaged with telco hardware; and segmented offerings to targeted markets via an expanded sales and distribution model.

As the size of the subscriber base grows, churn will be combated by: creating bundles of mobile, fixed line and internet (DUI and ADSL) offerings with a single bill; pursuing a new contact strategy; and targeted offerings based on customer profiles.

In addition, B Digital will continue to consider selective acquisitions and partnering opportunities that meet strict financial criteria.

Further information about likely developments in B Digital's operations and the expected results of those operations in future financial years has not been included in this Annual Report because disclosure of the information would be likely to result in unreasonable prejudice.

Remuneration Report

Directors' and senior executives' emoluments

The Remuneration Committee and Senior Management are responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive Directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow). Options are also issued under the Executive Share Option Plan. The ability to exercise the options is conditional on the Company achieving certain share price performance hurdles. Non-executive Directors do not receive any performance related remuneration, other than the options disclosed below.

Terms of reference for the formation of a Remuneration Committee have been agreed by the Board and are outlined in the Corporate Governance Statement earlier in this report.

Details of the nature and amount of each major element of the remuneration of each Director of the Company and each of the five named Company executives and relevant group executives who receive the highest remuneration are:

	Primary		Post Employment	Other Compensation			Total
	Base Remuneration	STI Cash Bonus	Superannuation Contributions	Insurance premiums	Other	Termination Benefit	
	$	$	$	$	$	$	$
Director							
Non-executive							
Mr David Fairfull (appointed 28 April 2005)	8,999	-	810	4,264	-	-	14,073
Mr Denis Ledbury (appointed 28 April 2005)	9,750	-	877	4,264	-	-	14,891
Mr Peter Cleaves (appointed 28 April 2005)	8,250	-	742	4,264	-	-	13,256
Mr William Egan (appointed 6 December 2004)	28,769	-	2,589	4,264	-	-	35,622
Prof Murray Wells (resigned 6 December 2004)	33,846	-	3,046	4,264	-	100,000	141,156
Executive							
Mr Peter George	179,576	-	16,162	4,264	277,755	-	477,757
Mr Sean Gentry (resigned 11 August 2004)	44,951	-	4,046	4,264	-	544,890	598,151
Mr Nick Kotzohambos	235,000	-	21,150	4,264	2,951	-	263,365
Total	549,141	-	49,422	34,112	280,706	644,890	1,558,271

	Primary		Post Employment	Other Compensation			Total
	Base Remuneration	STI Cash Bonus	Superannuation Contributions	Insurance premiums	Other	Termination benefit	
	$	$	$	$	$	$	$
Specified Executives							
The Company							
Mr Paul Evans	271,265	-	24,414	4,264	4,622	208,427	512,992
Mr Tim Levy (resigned 13 August 2004)	24,781	18,894	3,931	4,264	385	299,618	351,873
Mr Scott Cuomo (resigned 13 August 2004)	19,227	14,848	3,067	4,264	-	235,381	276,787
Mr Steve Mitchinson	161,476	-	14,532	4,264	4,622	-	184,894
Mr Jeremy Cookson	161,476	-	14,532	4,264	4,622	-	184,894
Total Company	638,225	33,742	60,476	21,320	14,251	743,426	1,511,440
Consolidated							
Mr Paul Evans	271,265	-	24,414	4,264	4,622	208,427	512,992
Mr Tim Levy (resigned 13 August 2004)	24,781	18,894	3,931	4,264	385	299,618	351,873
Mr Scott Cuomo (resigned 13 August 2004)	19,227	14,848	3,067	4,264	-	235,381	276,787
Ms Karen Langtry	172,916	-	15,562	4,264	-	-	192,742
Mr Steve Mitchinson	161,476	-	14,532	4,264	4,622	-	184,894
Mr Jeremy Cookson	161,476	-	14,532	4,264	4,622	-	184,894
Mr Michael Robinson (resigned 11 February 2005	152,300	-	13,707	4,264	2,951	-	173,222
Total	963,441	33,742	89,745	29,848	17,202	743,426	1,877,404

For further disclosure relating to directors and executives refer to note 33.

Directors' interests

The relevant interest of each Director in the share capital of the Company within the consolidated entity, as notified by the Directors to the Australian Stock Exchange in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary Shares	Options over ordinary shares
Mr David Fairfull	-	-
Mr Denis Ledbury	50,000	-
Mr Peter Cleaves	15,000	-
Mr William Egan	100,000	-
Mr Peter George	-	1,000,000
Mr Nick Kotzohambos	169,910,281	-

Messrs Fairfull, Ledbury and Cleaves are Directors of SOT which holds 355,000,000 shares in B Digital Limited.

Options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Shares
30 June 2015 Employee Options	$1 per exercise tranche	2,759,000

Options may be exercised earlier than the expiry dates or where certain events occur such as where a takeover bid results in a bidder acquiring a relevant interest in more than half of the issued shares in B Digital or where the Executive ceases to be employed for a limited number of reasons (such as death, total disability, redundancy or retirement) or where the Board exercises a discretion for an earlier exercise. Full details of options are disclosed at Note 24.

3,259,400 Options have been offered during the year and 6,372,000 options expired unexercised. During September 2005 2,759,400 Options were vested resulting from the achievement of EPS growth over the prior year by 10%. Refer Note 24 for further detail.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

No shares have been issued during or since the end of the financial year as a result of the exercise of options.

Environmental issues

Concern has been expressed over the health consequences resulting from the electromagnetic radiation emitted from handsets and mobile base stations. Legislation has increased the potential for these concerns to become litigious, and if health issues are proven, the industry as a whole will be affected and this in turn may impact adversely on the Company's business.

The Directors are not aware of any current breaches of legislation which are material in nature, nor are they aware of any remedial action required given research performed to date into the concerns cited above.

Indemnification and insurance of officers

Since the end of the previous financial year, the Company has paid insurance premiums in respect of a Directors' and Officers' liability insurance contract insuring against certain liabilities (subject to exclusions) of all current and former officers of the Company and its subsidiaries, including all Directors named in this report, the Company Secretary and all persons concerned in, or taking part in the management of, the Company and its controlled entities, and former Directors and officers who have retired or relinquished their positions.

Non-audit services

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

The board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by the resolution of the audit committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor.

- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 Professional Independence, as they did not involve reviewing or auditing the auditor's own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors of the Company for audit and non-audit services provided during the year are set out in Note 32.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act which forms part of the director's report is set out on page 18.

Rounding Off

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

Dated at Perth this 13 September 2005.

Signed in accordance with a resolution of the Directors.

Mr Peter George	Mr David Fairfull
Managing Director	Chairman

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

To: the directors of B Digital Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

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

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

KPMG

KPMG

D McComish

D P McCOMISH
Partner

Perth
Dated: 13 September 2005

Statements of Financial Performance
for the Year Ended 30 June 2005

	NOTE	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Revenue from ordinary activities	2	330,241	281,446	239,874	240,210
Expenses from ordinary activities	3	(309,437)	(267,497)	(226,420)	(230,959)
Share of net profits of associates and joint ventures accounted for using the equity method	28	(1,601)	-	-	-
Operating profit from ordinary activities before related income tax expense	4	19,203	13,949	13,454	9,251
Income tax / benefit (expense) relating to ordinary activities	5	(1,273)	(2,363)	2,487	-
Net profit attributable to members of the parent entity	21	17,930	11,586	15,941	9,251
Non-owner transaction changes in equity	21	(4)	26	-	-
Total changes in equity from non-owner related transactions attributable to members of the parent entity		17,926	11,612	15,941	9,251
Basic Earnings Per Share:					
Ordinary Shares	6	0.03	0.03		
Diluted Earnings Per Share:					
Ordinary Shares	6	0.03	0.03		

The statements of financial performance are to be read in conjunction with the accompanying notes to and forming part of the financial statements.

Statements of Financial Position
as at 30 June 2005

	NOTE	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Current Assets					
Cash assets	7	13,879	28,649	9,009	11,521
Receivables	8	45,258	45,205	28,084	34,645
Inventories	9	2,000	1,704	1,580	1,555
Other	11	1,853	737	525	510
Total Current Assets		62,990	76,295	39,198	48,231
Non-Current Assets					
Receivables	8	4,540	-	3,790	-
Investments accounted for using the equity method	10	45,558	-	-	-
Other financial assets	12	-	-	192,304	79,658
Property, plant and equipment	13	4,222	3,667	3,688	3,301
Deferred tax asset	5	1,704	230	1,606	-
Intangibles	14	110,628	52,716	-	-
Other	11	30,113	25,270	23,713	18,964
Total Non-Current Assets		196,765	81,883	225,101	101,923
Total Assets		259,755	158,178	264,299	150,154
Current Liabilities					
Payables	15	46,456	35,507	31,735	29,423
Interest bearing liabilities	16	416	446	416	446
Current tax liabilities		1,077	4,750	64	-
Provisions	17	2,664	3,868	2,024	3,177
Other	18	7,080	12,314	5,593	10,059
Total Current Liabilities		57,693	56,885	39,832	43,105
Non-Current Liabilities					
Interest bearing liabilities	16	8,098	8,221	35,376	17,234
Provisions	17	198	147	90	90
Other	18	419	3,784	-	2,945
Total Non-Current Liabilities		8,715	12,152	35,466	20,269
Total Liabilities		66,408	69,037	75,298	63,374
Net Assets		193,347	89,141	189,001	86,780

Statements of Financial Position (Continued)
as at 30 June 2005

	NOTE	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Equity					
Contributed equity	20	230,491	138,331	230,491	138,331
Reserves	21	22	26	-	-
Accumulated losses	21	(37,166)	(49,216)	(41,490)	(51,551)
Total Equity		193,347	89,141	189,001	86,780

The statements of financial position are to be read in conjunction with the accompanying notes to and forming part of the financial statements.

Statements of Cashflows for the Year Ended 30 June 2005

	NOTE	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		378,506	331,206	279,840	284,890
Cash payments in the course of operations		(357,712)	(321,300)	(271,713)	(283,739)
Interest received		1,072	344	619	320
Interest Paid		(86)	-	(81)	-
Income taxes (paid) / refund received		(6,496)	(6,444)	1,020	-
Net cash provided by operating activities	31	15,284	3,806	9,685	1,471
Cash flows from investing activities					
Payments for property, plant and equipment		(2,828)	(582)	(2,466)	(554)
Costs for controlled entities	27	(1,823)	(602)	(1,823)	(602)
Payments for Investments		(17,318)	-	(3,568)	-
Cash acquired in controlled entity	27	1,566	13,132	-	-
Security deposit receipts / (payment)		465	(334)	426	-
Net cash (used in) / provided by investing activities		(19,938)	11,614	(7,431)	(1,156)
Cash flows from financing activities					
Repayment of borrowings to controlled entities		-	-	-	(2,000)
Repayment of borrowings – Finance lease/loans		(448)	(274)	(448)	(274)
Loan payments received – related parties		-	-	5,352	-
Loans made – related parties		(3,790)	-	(3,790)	-
Dividends paid by parent entity	22	(5,880)	-	(5,880)	-
Net cash provided by / (used in) financing activities		(10,118)	(274)	(4,766)	(2,274)
Net (decrease) / increase in cash held		(14,772)	15,146	(2,512)	(1,959)
Cash at the beginning of the financial year		28,649	13,480	11,521	13,480
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		2	23	-	-
Cash at the end of the financial year	31	13,879	28,649	9,009	11,521

The statements of cashflows are to be read in conjunction with the accompanying notes to and forming part of the financial statements.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

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 except where stated, does not take into account changing money values or current valuations of assets.

The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

(b) Principles of consolidation

Controlled entities

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the Consolidated entity").

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

At 21 April 2005 the Company acquired Kooee Communications Pty Ltd and accordingly the results of this Group are included from that date.

Transactions eliminated on consolidation

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

(c) Joint Ventures

A joint venture is either an entity or operation that is jointly controlled by the consolidated entity.

Joint Venture Entities

In the consolidated financial statement, investments in joint venture entities are accounted for using the 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.

1. Statement of significant accounting policies (continued)

Transactions eliminated on consolidation

Unrealised gains resulting from transactions with associates and joint ventures, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to associates and joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

Effective 28 February 2005 the Company acquired 50% of the shares in B Shop Telecommunications Pty Ltd (B Shop JV). On 21 April 2005 the Company acquired 50% of the shares in SPTCom Pty Ltd (former Comindico Group) and 50% interest in Kooee Pty Ltd (Kooee JV).

(d) Revenue recognition

Sales revenue

Revenue from the provision of telecommunication services includes access to the mobile network, telephone calls, connection and retention commission and other services and is recognised when the fee in respect of the services is earned.

Sale of goods

Revenue from the sale of mobile handsets is recognised (net of rebates, returns, discounts and other allowances) when control of goods passes to the customer. For sales of mobile handsets control passes when the customer receives the goods.

Interest income

Interest income is recognised as it accrues.

Sale of non-current assets

The gross proceeds of non-current asset sales are recognised as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

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.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

1. Statement of significant accounting policies (continued)

(e) Taxation

Current tax payable

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at reporting date, and any adjustment to tax payable in respect of previous years.

Current tax payable is recognised as current tax expense except to the extent that it relates to items recognised directly in equity, in which case that portion is recognised directly in equity.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are deductible or assessable temporary differences and unused tax losses recognised using tax rates enacted or substantively enacted at reporting date. Temporary differences between the carrying amount of an asset and liability for financial reporting purposes and their tax bases. The following temporary differences are not recognised: goodwill, where amortisation is not deductible for tax purposes, initial recognition of assets and liabilities that affect neither accounting nor tax profit and differences relating to investment in subsidiaries to the extent that the consolidated entity controls the timing of distributions and it is not probable that the temporary differences will reverse in the foreseeable future. Tax bases are determined based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities.

Movements in deferred tax asset and liability balances are recognised as deferred tax expense, except to the extent they relate to:

- Items recognised directly in equity, in which case that portion is recognised directly in equity;
- Acquisitions of entities or operations, in which case that portion is recognised in goodwill;
- Temporary differences that are not recognised.

Income tax expense

Income tax expense for the reporting period consists of current tax expense and deferred tax expense.

Tax consolidation

The Company is the head entity in the tax consolidated group comprising all the Australian wholly-owned subsidiaries set out in Note 27. The head entity recognises all the current and deferred tax assets and liabilities of the tax consolidated group (after elimination of intragroup transactions).

The 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.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

1. Statement of significant accounting policies (continued)

(f) 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.

(g) Receivables

Trade debtors comprise amounts owing by subscribers, being generally unsecured debts and amounts owing for connection commission.

Subscriber amounts owing are generally settled within 15 – 30 days. Connection commission is normally settled within 45 days.

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

(h) Inventories

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

Net realisable value is determined on the basis of each inventory lines normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and deducted to establish net realisable value.

(i) Other financial assets - investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the profit and loss when they are declared by the controlled entities.

Joint ventures

In the Company's financial statements, investments in joint entities are accounted for as set out in Note 1 (c).

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

1. Statement of significant accounting policies (continued)

(j) 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.

(k) Acquisition of assets

All assets acquired including property, plant and equipment 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.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the consolidated entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as interest expense.

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, otherwise, the costs are expensed as incurred.

(l) Depreciation and amortisation

Useful lives

All assets, including intangibles have limited useful lives and are depreciated/amortised using the straight line method over their estimated useful lives, taking into account estimated residual values, with the exception of freehold land and finance lease assets. These are amortised over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset.

The depreciation / amortisation rates or useful lives of each class of assets are as follows:

	2005	2004
Leasehold improvements	13%	13%
Plant and equipment	13% - 27%	13% - 27%
Goodwill	10%	10%

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

1. Statement of significant accounting policies (continued)

(m) 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.

Operating leases

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

(n) 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).

(o) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired.

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

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

1. Statement of significant accounting policies (continued)

(p) Licences

Licences include the costs of securing service provider and reseller licence agreements and licence fees for the use of infrastructure programs. These costs are deferred to the extent that it is probable that future economic benefits embodied in the expenditure will eventuate and can be measured reliably, do not relate to revenue which has already been brought to account and will contribute to the future earning capacity of the entity. These costs have been amortised from the commencement of relevant operations over the period of the licences being from three to five years.

(q) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled between 30 and 45 days.

(r) Employee benefits

Wages, salaries and annual leave

The provisions for employee benefits to wages, salaries and annual leave represents the amounts which the Company and consolidated entity has a present obligation to pay resulting from employees' services provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay including related on-costs, such as worker's compensation insurance and payroll tax.

Long service leave

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

In determining the provision for employee benefits, consideration has been given to future increases in wage and salary rates and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

Executive share option plan

The Company has offered options under an executive share option plan. Further information is set out in Note 24 to the financial statements.

Profit share and bonus plan

A liability is recognised for profit sharing and bonus plans ('Plan') in accordance with the formally Documented Plan. The benefit calculations are documented and determined before signing the financial report.

Superannuation plan

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

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

1. Statement of significant accounting policies (continued)

(s) 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.

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 Company and consolidated 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.

Dividends

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

(t) Earnings per share

Basic earnings per share ('EPS') is calculated by dividing the:

- Net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares); by the
- Weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated by dividing the:

- Basic EPS earnings, adjusted by the after tax effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares; by the
- Weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus issue.

(u) Borrowing costs

Borrowing costs relate to interest. Borrowing costs are expensed as they are incurred.

1. Statement of significant accounting policies (continued)

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

(w) Interest bearing liabilities

Other loans, including loans to controlled entities and loans payable to director-related parties are recognised at their principal amount. Interest is accrued at the agreed rate.

(x) 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 reporting 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 expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, the 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.

(y) Use and revision of accounting estimates

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and other relevant factors, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

2. Revenue from ordinary activities

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Revenue from operating activities:				
Service fees	296,074	251,437	206,464	210,767
Sale of goods	26,215	24,422	26,215	24,422
Other income	6,875	4,765	6,576	4,625
Revenue from operating activities	329,164	280,624	239,255	239,814
Other revenues				
From operating activities:				
Interest - Other parties	1,077	822	619	396
Total other revenues	1,077	822	619	396
Total revenue from ordinary activities	330,241	281,446	239,874	240,210

3. Expenses from ordinary activities

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Expenses from operating activities:				
Airtime and service expenses	215,671	187,316	153,940	161,694
Cost of goods sold	25,636	23,819	25,636	23,819
Selling and marketing expenses	14,925	15,612	12,742	14,110
Management expenses	33,089	28,765	23,190	24,139
Other expenses from ordinary activities	20,116	11,985	10,912	7,197
Total expenses from ordinary activities	309,437	267,497	226,420	230,959

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

4. Profit from ordinary activities before income tax expense

		Consolidated		The Company	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000
(a)	**Individually significant items included in profit from ordinary activities before income tax expense:**				
	Redundancy costs from management restructure	1,106	-	1,106	-
	Accelerated depreciation and other costs related to company relocation	814	-	814	-
	Professional and legal fees written off in respect to corporate transaction not progressed	433	-	433	-
(b)	**Profit / (loss) from ordinary activities before income tax expense / (benefit) has been arrived at after charging/(crediting) the following items:**				
	Write down in value of inventories	25	-	25	-
	Operating lease rental expense minimum lease payments	287	709	36	592
	Amortisation of capitalised subscriber costs	19,566	12,778	18,606	12,222
	Amortisation of goodwill	6,622	2,774	-	-
	Depreciation of:				
	- leasehold improvements [(1)]	190	62	180	61
	- plant and equipment [(1)]	1,170	1,384	971	1,306
	Amortisation of leased plant equipment	360	186	361	186
	Net expense from movements in provisions:				
	- employee benefits	(36)	334	(108)	183
	- unexpired airtime	(425)	(1)	(425)	(1)
	- clawback	(691)	(306)	(891)	(602)
	- customer loyalty	98	100	-	-
	Net bad and doubtful debt expense including movements in provision for bad and doubtful debts	5,054	5,807	4,020	4,721

[(1)] Excludes accelerated depreciation from significant items.

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Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

4. Profit from ordinary activities before income tax expense (continued)

	Consolidated		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Borrowing costs:				
- controlled entity	-	-	611	173
- related parties (Note 33)	763	355	763	355
- other parties – finance charges on capitalised leases	86	67	81	67
Loss on sale of non-current assets	8	2	-	2

5. Taxation

		Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
(a)	**Prima facie income tax expense calculated at 30% (2004 : 30%) on the profit from ordinary activities**	5,761	4,185	4,036	2,775
	Increase / (decrease) in income tax expense due to:				
	- Non tax deductible expenses	142	161	390	58
	- Amortisation of goodwill	1,987	832	-	-
	- Income tax expense related to the current and deferred tax transactions of the wholly-owned subsidiaries in the tax consolidated group	-	-	75	-
	- Share of associate's entities net loss	488	-	-	-
	- Recovery of income tax expense under a tax funding agreement	-	-	(75)	-
	- Recovery of tax losses not previously brought to account	(7,105)	(2,833)	(6,913)	(2,833)
	Income tax expense / (benefit) on the net profit	1,273	2,345	(2,487)	-
	Income tax under provided in prior year	-	18	-	-
	Income tax expense / (benefit) on pre-tax net profit	1,273	2,363	(2,487)	-

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

5. Taxation (continued)

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
(b) Major components of tax expense				
Current income tax expense	6,307	3,218	2,510	643
Income tax under provided in prior year	-	18	-	-
Deferred tax (revenue) on temporary differences	2,071	1,960	1,916	2,190
Recovery of tax losses not previously recognised	(7,105)	(2,833)	(6,913)	(2,833)
Income tax expense/(benefit)	1,273	2,363	(2,487)	-
Deferred tax (revenue) comprises:				
- Property, plant and equipment	-	(3)	-	(3)
- Capitalised subscriber costs	1,588	1,837	1,549	1,560
- Provisions and employee benefits	457	115	342	600
- Sundry	26	11	25	33
Income tax expense	2,071	1,960	1,916	2,190
(c) Deferred tax assets				
Deferred tax assets comprise the estimated deductible temporary differences and unused tax losses at the applicable rate of 30% (2004: 30%) on the following items:				
- Capitalised subscriber costs	(7,441)	(5,838)	(7,441)	(5,561)
- Provisions and accrued employee benefits	1,734	2,153	1,734	1,668
- Tax losses carried forward	7,458	3,913	7,362	3,913
- Sundry	(47)	2	(49)	(20)
	1,704	230	1,606	-
Deferred tax assets unrecognised				
Deferred tax assets have not been recognised because it is not probable that the benefits will be utilised against future taxable profit. The unrecognised amounts comprise:				
- Unused tax losses	-	7,180	-	6,913

None of the unused losses have expiry dates.

**Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005**

6. Earnings per share

	Consolidated	
	2005 $'000	**2004 $'000**
All shares have been classified as ordinary shares and included in basic earnings per share:		
Earnings reconciliation		
Net profit attributable to members of the parent entity	17,930	11,586
Basic / Diluted earnings		
Allocation of earnings to category of ordinary share:		
Basic		
• Ordinary Shares	17,930	11,586
Diluted		
• Ordinary Share	17,930	11,586

Weighted average number of shares used as the denominator

	Consolidated	
	Number '000	**Number '000**
Number shares for basic earnings per share		
• Ordinary shares	634,056	411,311
Number shares for diluted earnings per share		
• Diluted shares	634,056	411,311

Options

2004

The 6,372,000 options to purchase ordinary shares not exercised at 30 June 2004 have not been included in the determination of basic and diluted earnings per share as they are not dilutive.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

7. Cash assets

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Cash at bank	13,879	17,649	9,009	11,521
Short term deposits	-	11,000	-	-
	13,879	28,649	9,009	11,521

2004

The short term deposits mature within 60 days and pay interest at a weighted average interest rate of 5.65%.

8. Receivables

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Current				
Trade debtors	47,844	47,917	27,843	36,420
Less: Provision for doubtful debts	(5,628)	(2,731)	(1,817)	(1,794)
	42,216	45,186	26,026	34,626
Other loans – controlled entities	-	-	1,573	-
Other debtors – related parties (refer Note 34)	2,046	-	-	-
Other debtors	996	19	485	19
	45,258	45,205	28,084	34,645
Non-Current				
Other receivables	750	-	-	-
Other loans – joint venture entities	3,790	-	3,790	-
	4,540	-	3,790	-

9. Inventories

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Telephones and accessories – at cost	2,065	1,769	1,645	1,620
Less: Provision for losses	(65)	(65)	(65)	(65)
	2,000	1,704	1,580	1,555

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

10. Investments accounted for using the equity method

	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Joint venture entities (refer Note 28)	45,558	-	-	-

11. Other assets

	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Current				
Prepayments	1,853	737	525	510
Non Current				
Capitalised subscriber costs	47,135	34,052	45,211	32,094
Less: Accumulated amortisation	(22,318)	(14,543)	(21,498)	(13,557)
	24,817	19,509	23,713	18,537
Security deposits	5,296	5,554	-	220
Other	-	207	-	207
	5,296	5,761	-	427
	30,113	25,270	23,713	18,964

12. Other financial assets

	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Non Current				
Controlled entities - unlisted shares at cost (refer Note 27)	-	-	145,973	79,658
Associates – unlisted shares at cost	-	-	46,331	-
	-	-	192,304	79,658

13. Property, plant & equipment

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Leasehold improvements - at cost	1,333	1,184	1,265	1,164
Less: Accumulated depreciation	(55)	(521)	(37)	(512)
	1,278	663	1,228	652
Plant and equipment - at cost	8,600	7,663	7,612	6,948
Less: Accumulated depreciation	(6,391)	(5,754)	(5,887)	(5,394)
	2,209	1,909	1,725	1,554
Leased plant and equipment – at cost	1,332	1,332	1,332	1,332
Less: Accumulated amortisation	(597)	(237)	(597)	(237)
	735	1,095	735	1,095
Total property, plant and equipment net book value	4,222	3,667	3,688	3,301

Reconciliation

Reconciliation of the carrying amounts for each class of property, plant and equipment are set out below:

	Consolidated 2005 $'000	Consolidated 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Leasehold improvements				
Carrying amount at beginning of year	663	559	652	559
Additions	1,281	154	1,242	154
Acquisition through entity acquired	10	12	-	-
Depreciation [1]	(676)	(62)	(666)	(61)
Carrying amount at end of year	1,278	663	1,228	652
Plant and equipment				
Carrying amount at beginning of year	1,909	2,512	1,554	2,512
Additions	1,676	372	1,354	350
Acquisition through entity acquired	14	411	-	-
Disposals	(8)	(2)	-	(2)
Depreciation [1]	(1,382)	(1,384)	(1,183)	(1,306)
Carrying amount at end of year	2,209	1,909	1,725	1,554

[1] Includes $486,000 for leasehold improvements and $212,000 for plant and equipment disclosed as a significant item at Note 4.

**Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005**

13. Property, plant & equipment (continued)

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Leased plant and equipment				
Carrying amounts at the beginning of the year	1,095	188	1,095	188
Additions	-	1,093	-	1,093
Amortisation	(360)	(186)	(360)	(186)
Carrying amount at end of year	735	1,095	735	1,095

14. Intangible assets

Goodwill - at cost	120,024	55,490	-	-
Less: Accumulated amortisation	(9,396)	(2,774)	-	-
	110,628	52,716	-	-

15. Payables

Trade creditors	26,197	22,524	18,718	17,753
Other creditors and accruals	20,259	12,983	13,017	11,670
	46,456	35,507	31,735	29,423

16. Interest bearing liabilities

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Current				
Lease liabilities (refer Note 25)	404	407	404	407
Unsecured loan	12	39	12	39
	416	446	416	446
Non current financing arrangements				
Lease liabilities (refer Note 25)	224	630	224	630
Unsecured loan	6	17	6	17
Other loans – controlled entities (refer Note 34)	-	-	27,278	9,013
Other loans - related parties (refer Note 33)	3,980	3,830	3,980	3,830
Other loans (refer Note 33)	3,888	3,744	3,888	3,744
	8,098	8,221	35,376	17,234

Financing arrangements:

The consolidated entity has access to the lines of credit as disclosed in note 31(iii).

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

17. Provisions

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Current				
Employee benefits (refer Note 24)	1,245	1,333	931	1,038
Unexpired airtime	132	557	132	557
Clawback	1,187	1,878	961	1,582
Customer loyalty program	100	100	-	-
	2,664	3,868	2,024	3,177
Non-current				
Employee benefits (refer Note 24)	198	147	90	90

Reconciliations

Reconciliations of the carrying amounts of each class of provision, except for employee benefits are set out below:

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Unexpired airtime				
Carrying amount at beginning of year	557	558	557	558
Provisions made during the year	119	841	119	841
Payments made during the period	(544)	(842)	(544)	(842)
Carrying amount at end of year	132	557	132	557
Clawback				
Carrying amount at beginning of year	1,878	2,184	1,582	2,184
Provisions made during the year	2,966	2,394	2,217	2,348
Increase through acquisition of entity	-	250	-	-
Payments made during the period	(3,657)	(2,950)	(2,838)	(2,950)
Carrying amount at end of year	1,187	1,878	961	1,582
Customer loyalty program				
Carrying amount at beginning of year	100	-	-	-
Provisions made during the year	98	100	-	-
Payments made during the period	(98)	-	-	-
Carrying amount at end of year	100	100	-	-

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

18. Other liabilities

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Current				
Unearned revenue	3,069	7,292	1,582	5,675
Income in advance	4,011	5,022	4,011	4,384
	7,080	12,314	5,593	10,059
Non-current				
Unearned revenue	419	3,784	-	2,945

19. Amounts payable / receivable in foreign currencies

The Australian dollar equivalents of unhedged amounts payable and receivable in foreign currencies, calculated at year end exchange rates, are as follows:

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
New Zealand Dollar				
Amounts payable:				
Current	495	542	-	-
Amounts receivable:				
Current	783	609	-	-

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

20. Contributed Equity

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $ '000
Share capital				
828,745,212 (2004: 588,024,562) ordinary shares, fully paid	230,491	138,331	230,491	138,331
Ordinary shares				
Balance at the beginning of the year:				
588,024,562 (2004: 248,207,000)	138,331	77,163	138,331	77,163
Shares issued:				
240,000,000 pursuant to Shares Sale Deed with SP Telemedia (2004 : 339,820,562 pursuant to DigiPlus Shares Sale Deed) (refer note 27 for further detail)	92,160	61,168	92,160	61,168
720,650 (2004: Nil) pursuant to the General Employee Share Plan (refer Note 24 for further detail	-	-	-	-
Balance at end of year	230,491	138,331	230,491	138,331

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. In the event of the winding up of the Company ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation in proportion to their shareholding.

Options

	Consolidated		The Company	
	2005 No '000	2004 No '000	2005 No '000	2004 No '000
As at 30 June the following options were on issue:				
Issued pursuant to the prospectus dated 4 May 2000 (expired during the year unexercised)	-	810	-	810
Issued pursuant to the Employee Share Option Scheme (expired during the year unexercised)	-	5,562	-	5,562
	-	6,372	-	6,372

For the terms and conditions of these options please refer to Note 24.

21. Reserves and accumulated losses

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Foreign Currency Translation Reserve				
Balance at beginning of year	26	-	-	-
Add: Translation adjustment on controlled entity financial statements	(4)	26	-	-
Balance at end of year	22	26	-	-

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, the translation of transactions that hedge the Company's net investment in a foreign operation or the translation of foreign currency monetary items forming part of the net investment in a self-sustaining operation. Refer to accounting policy Note 1(f).

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Accumulated Losses				
Accumulated losses at beginning of year	(49,216)	(60,802)	(51,551)	(60,802)
Net profit attributable to members of parent entity	17,930	11,586	15,941	9,251
Dividends recognised during the year (refer Note 22)	(5,880)	-	(5,880)	-
Accumulated losses at end of year	(37,166)	(49,216)	(41,490)	(51,551)

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

22. Dividends

Dividends paid or provided for in the current year are:

2005

	Cents per share	Total amount ($'000)	Franked / unfranked	Date of payment
Final ordinary	1.0	5,880	Franked	25/10/04

2004

Nil

Dividend franking accounts

	The Company	
	2005 $'000	**2004 $'000**
30% franking credits available to shareholders of B Digital Limited for subsequent financial years	4,121	-

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

(a) franking credits that will arise from the payment of the current tax liability;

(b) franking debits that will arise from the payment of dividends recognised as a liability at year end;

(c) franking credits that the entity may be presented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

23. Additional financial instruments disclosure

(a) Interest rate risk exposures

	Note	Weighted average interest rate	Floating interest rate $'000	1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
2005								
Financial assets								
Cash assets	7	4.5%	13,879	-	-	-	-	13,879
Receivables [(i)]	8	6.5%	-	-	3,790	-	46,008	49,798
Other assets	11	-	-	-	-	-	5,296	5,296
			13,879	-	3,790	-	51,304	68,973
Financial liabilities								
Payables	15	-	-	-	-	-	46,456	46,456
Current tax liabilities		-	-	-	-	-	1,077	1,077
Lease liabilities	16	9.42%	-	404	224	-	-	628
Unsecured loan	16	13.9%	-	12	6	-	-	18
Employee benefits	17	5%	198	-	-	-	1,245	1,443
Other loans – related parties	16	10%	-	-	7,868	-	-	7,868
			198	416	8,098	-	48,778	57,490
2004								
Financial assets								
Cash assets	7	5.5%	17,649	11,000	-	-	-	28,649
Receivables	8	-	-	-	-	-	45,205	45,205
Other assets	11	-	-	-	-	-	5,761	5,761
			17,649	11,000	-	-	50,966	79,615
Financial liabilities								
Payables	15	-	-	-	-	-	35,507	35,507
Current tax liabilities		-	-	-	-	-	4,750	4,750
Lease liabilities	16	6.45%	-	407	630	-	-	1,037
Unsecured loan	16	14.3%	-	39	17	-	-	56
Employee benefits	17	5%	147	-	-	-	1,333	1,480
Other loans – related parties	16	10%	-	-	7,574	-	-	7,574
			147	446	8,221	-	41,590	50,404

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts.

[(i)] Refer note 34.

23. Additional financial instruments disclosure (continued)

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of customers throughout Australia.

At 30 June 2005 amounts receivable from Optus Mobile Pty Limited represents 7% (2004: 33%) of the consolidated entity receivables.

(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

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of trade debtors, other debtors, accounts payable and employee entitlements approximate net fair value.

The carrying amounts of financial assets and liabilities as at the reporting date approximate their net fair values.

Unrecognised financial instruments

There are no unrecognised financial instruments.

(d) Foreign exchange risk

The consolidated entity has no material foreign currency amounts receivable or payable. Should this arise, within the parameters of the treasury policy approved by the Board, the consolidated entity will adopt appropriate hedging strategies when risks are identified. At 30 June, there are no hedging transactions in place.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

24. Employee benefits

Aggregate liability for employee benefits, including on costs:

	Consolidated		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Current				
Annual leave	1,245	1,333	931	1,038
Non-current				
Long service leave	198	147	90	90
	1,443	1,480	1,021	1,128
Accruals for superannuation, payroll tax, bonuses and other related employee balances included in payables	881	904	881	828

The present values of employee benefits not expected to be settled within 12 months of reporting date have been calculated using the following weighted averages:

	Consolidated		The Company	
	2005	**2004**	**2005**	**2004**
Assumed rate of increase in wage and salary rate	4%	4%	4%	4%
Discount rate	5%	5%	5%	5%
Settlement term (years)	10	10	10	10

(a) Executive share and option plan

2000 Issue

Pursuant to the Executive and Share and Option Plan options issued in 2000 all options issued have now expired or have being forfeited, (2004: 6,372,000).

2005 Issue

Executive Share and Option Plan

During the year the Executive share and option plan was varied by shareholders on 21 April 2005.

The plan provides for 49 (2004:nil) executives to receive options over ordinary shares. The number of options issued to each executive is commensurate with market rates assessed for their respective roles. This has been independently assessed as part of the total remuneration package to the executive.

24. Employee benefits (continued)

Once granted, all options expire on the earlier of their expiry date or termination of the executives employment. The number of options granted to each executive is conditional on the consolidated entity achieving certain earnings per share (EPS) performance hurdles.

There are no voting or dividend rights attached to the options. Voting rights will be attached to the issued shares when the options have been exercised.

The amounts recognised in the financial statements of the Company and consolidated entity in relation to executive share options exercised during the financial year is nil.

For the purposes of measuring achievement of the performance hurdles, the EPS of the Company for the current financial year (excluding goodwill and significant items) will be compared to the EPS of the Company for the previous financial year (again, excluding goodwill and significant items). The percentage growth in EPS between these two periods will determine the proportion of the options granted that will be eligible for exercise upon satisfaction of the service criteria outlined below. The relevant percentage is calculated on the following basis:

EPS growth between year ended 30 June 2004 and year ended 30 June 2005	% of options eligible for vesting
Less than 5%	0
Over 5% but less than 10%	30%
Over 10% but less than 20%	60%
20% or more	100%

Once the number of options available under the performance hurdle has been determined, the number that may actually be exercised will be determined by reference to the following service hurdles:

- 50% of the options eligible for exercise upon satisfaction of the service hurdle will become available for exercise (i.e. vest) on the second anniversary of the date of grant, provided the executive is still employed by a member of the B Digital Group on that second anniversary; and
- the remaining 50% of the options eligible for exercise upon satisfaction of the service hurdle will become available for exercise on the third anniversary of the date of grant, provided the executive is still employed by a member of the B Digital Group on that third anniversary.

Options do not vest until the service criteria have been achieved. Accordingly, the plan does not represent remuneration for past services. Each option is convertible to one ordinary share. As the options are low exercise price options, any options that are eligible for vesting will require the executive to pay $1 each time they exercise any number of options.

The number of options available to executives under this plan is 3,259,400 (2004 : Nil). During September 2005 2,759,400 options were vested (expiry date September 2015) as it was determined that greater than 10% EPS growth had occurred in 2005.

24. Employee benefits (continued)

b) General employee share plan

The General Employee Share Plan ("GESP") was varied by shareholders on 21 April 2005.

The GESP is available to all eligible employees to acquire ordinary shares in the Company for no consideration as a bonus component of their remuneration. Eligible employees are entitled up to $1,000 of shares. Shares issued under GESP rank equally with other fully paid ordinary shares in all aspects including voting rights and entitlements to participate in dividends and in future rights and bonus issues.

To be eligible, employees must have been employed by any entity in the consolidated entity continuously for a minimum period of one year. Once an eligible employee has accepted an offer, the shares are issued to the participant and registered in the name of the participant. There is a holding lock restricting a participant from selling or transferring any share issued to him or her under the plan until three years after the date of issue of the shares, or when he or she ceases to be an employee. The GESP has no conditions that could result in a participant forfeiting ownership of shares.

The GESP complies with current Australian Tax legislation, enabling permanent employees to have up to $1,000 of free shares, in respect of an employee scheme, excluded from their assessable income.

The fair value of shares issued during the reporting period at their issue date is based on the volume weighted average share price for B Digital shares on the Australian Stock Exchange over the 5 trading days ending on the day the B Digital shares are granted.

720,650 (2004:nil) shares were issued on 28 June 2005 at a market value of 40 cents. This represented a value of $289,000 (2004:nil). No amount has been recorded in the financial report in respect to these shares as they were equity settled.

(c) Market value

The market value of shares at 30 June 2005 was 39.5 cents (2004: 31 cents).

(d) Superannuation

B Digital Limited does not have a superannuation fund but makes contributions to accumulation funds as specified by the employees.

(e) Number of employees

	Consolidated		The Company	
	2005 No.	2004 No.	2005 No.	2004 No.
Number of employees at year end	554	497	431	396

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

25. Commitments and contingencies

(a) Commitments

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Non-cancellable operating lease commitments				
Future operating lease rentals of premises and other assets				
- Within one year	790	492	723	284
- One year or later and no later than five years	3,150	7	2,966	7
- Later than five years	604	-	604	-
	4,544	499	4,293	291

The consolidated entity leases property under non-cancellable operating leases, that generally provide the Consolidated Entity with a right of renewal at which all terms are renegotiated.

Service and maintenance contracts

The consolidated entity has service and maintenance contracts with several software support companies to ensure continued support for the consolidated entity's computer infrastructure. The commitments under these contracts are:

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
- Within one year	-	46	-	46
Capital Expenditure Commitments				
Contracted but not provided for and payable within one year	-	116	-	86

The consolidated entity has a Service Provider Agreement with Optus Networks Pty Ltd for the supply of fixed line and internet services that expires on the 30 September 2007. The Company is currently in the process of re-negotiating terms of the Whole of Business arrangements with Optus which includes both of these services. No minimum expenditure commitments are expected to be in place after 31 March 2006, with minimum expenditure commitments prior to that date expected to be met in the ordinary course of business.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

25. Commitments and contingencies (continued)

Employee remuneration commitments

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Directors (consolidated) and specified directors (the Company)				
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:				
- within one year	655	577	655	321
- one year later and no later than five years	384	128	384	-
	1,039	705	1,039	321
Specified executives (excluding Directors)				
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:				
- within one year	300	256	300	-
- one year later and no later than five years	50	128	50	-
	350	384	350	-
Other executives and employees				
Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:				
- within one year	1,067	-	1,067	-
- one year later and no later than five years	547	-	547	-
	1,614	-	1,614	-

25. Commitments and contingencies (continued)

Finance lease payment commitments

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Finance lease commitments are payable:				
- within one year	443	476	443	476
- one year or later and no later than five years	231	677	231	677
	674	1,153	674	1,153
Less: Future lease finance charges	(46)	(116)	(46)	(116)
	628	1,037	628	1,037
Lease liabilities provided for in the financial statements:				
Current	404	407	404	407
Non current	224	630	224	630
	628	1,037	628	1,037

The consolidated entity leases computer equipment under finance leases expiring from one to three years. At the end of the lease term, the consolidated entity has the option to purchase equipment at market value.

(b) Contingent assets / liabilities

Details of contingent liabilities and contingent assets where the probability of future payments / receipts is not considered remote are set out below, as well as contingent liabilities and contingent assets, which although considered remote, the directors consider should be disclosed.

Contingent assets / liabilities considered remote

The Digiplus Group of companies provided a fixed and floating charge to Bank of Western Australia Limited (BWA) on 31 October 2001 for a loan and overdraft facility provided by BWA at this time. The facility was substantially repaid prior to 31 December 2003 with a residual amount remaining of $1,000. At 30 June 2005 this amount is still owing. The facility cannot be re-drawn without BWA approval.

Contingent liability not considered remote

The Company is currently subject to an audit review by the Australian Taxation Office (ATO) whereby further consideration is being given to some items. Investigation by the ATO into certain items are ongoing and additional work needs to be undertaken to finalise the investigation.

Also, included in the net assets acquired of Kooee JV is a receivable of $2.2 million from the former wholesale service provider. The collectability of this amount is currently under discussion as part of the final settlement pursuant to the Separation Deed for the purchase of customer receivables.

In the directors' opinion, disclosure of any further information about the above matter would be prejudicial to the interests of the Company. The Directors are of the opinion that no provision is required for both these matters. In relation to the ATO review this is based on advice from the Company's tax advisors.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

26. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 16 July 2004, the wholly-owned subsidiaries listed below are relieved from the Corporations Act requirements for preparation, audit, and lodgement of financial reports, and directors' reports.

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

The subsidiaries subject to the Deed are:

DigiPlus Investments Limited

DigiPlus Holdings Pty Ltd

DigiPlus Pty Limited

DigiPlus Limited

Codex Limited

DigiPlus Contracts Pty Limited

Blue Call Pty Limited

The Company and each of the subsidiaries are subject to the Deed. These entities became parties to the Deed on 3 June 2004 by virtue of a Deed of Assumption.

A consolidated statement of financial performance and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2005 is set out on the following page:

26. Deed of cross guarantee (continued)

	Consolidated 2005 $'000	Consolidated 2004 $'000
Summarised statement of financial performance and retained profits		
Profit from ordinary activities before related income tax expense	20,613	13,949
Income tax expense relating to ordinary activities	(1,372)	(2,363)
Net profit	19,241	11,586
Retained profits at beginning of year	(49,216)	(60,802)
Dividends recognised during the year	(5,880)	-
Retained profits at end of year	(35,855)	(49,216)
Statement of financial position		
Current Assets		
Cash assets	13,328	28,649
Receivables	37,228	45,205
Inventories	1,944	1,704
Other	1,853	737
Total Current Assets	54,353	76,295
Non-Current Assets		
Investments accounted for using the equity method	44,704	-
Other financial assets	66,770	-
Property, plant and equipment	4,199	3,667
Deferred tax asset	9,091	230
Intangibles	47,341	52,716
Other	34,652	25,270
Total Non-Current Assets	206,757	81,883
Total Assets	261,110	158,178

26. Deed of cross guarantee (continued)

	Consolidated 2005 $'000	Consolidated 2004 $'000
Current Liabilities		
Payables	44,663	35,507
Interest bearing liabilities	416	446
Current tax liabilities	1,077	4,750
Provisions	2,664	3,868
Other	3,006	12,314
Total Current Liabilities	51,826	56,885
Non-Current Liabilities		
Deferred tax liabilities	7,485	-
Interest bearing liabilities	6,525	8,221
Provisions	198	147
Other	418	3,784
Total Non-Current Liabilities	14,626	12,152
Total Liabilities	66,452	69,037
Net Assets	194,658	89,141
Contributed equity	230,491	138,331
Reserves	22	26
Retained profits	(35,855)	(49,216)
Total Equity	194,658	89,141

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

27. Controlled entities

	Note	2005 %	2004 %
(a) Particulars in relation to controlled entities			
Parent entity			
B Digital Limited			
Controlled entities			
Kooee Communications Pty Ltd		100	-
B Digital Investments Pty Ltd	(iii)	100	-
DigiPlus Investments Limited	(i)	100	100
Controlled entities of DigiPlus Investment Limited			
DigiPlus Holdings Pty Ltd	(i)	100	100
DigiPlus Pty Limited	(i)	100	100
DigiPlus Limited	(i)	100	100
Codex Limited	(i)	100	100
DigiPlus Contracts Pty Limited	(i)	100	100
Blue Call Pty Limited	(i)	100	100

	Note	2005 ’000	2004 ’000
(b) Acquisition / disposal of controlled entities			
The following controlled entities were acquired during the financial year:			
Acquisition of entities			
During the financial year the consolidated entity purchased 100% of the voting shares of Kooee Communications Pty Ltd (2004 : 100% of the voting shares of DigiPlus Investments Ltd). Details of the acquisition are as follows:			
Consideration			
169,133,115 issued ordinary shares at $0.38 each (2004 : 339,820,562 issued ordinary shares at $0.18 each)	(iv)	64,947	61,168
Cash - on settlement (ii)	(ii)	-	10,375
- due on 31 December 2006		-	7,513
Acquisition costs		1,823	602
Total consideration		66,770	79,658
Non cash consideration from above		(64,947)	(61,168)
Cash settlement to be set-off	(ii)	-	(10,375)
Deferred cash consideration		-	(7,513)
Outflow of cash		1,823	602
Cash acquired in controlled entity		1,566	13,132

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

27. Controlled entities (continued)

	Note	2005 $'000	2004 $'000
Fair value of assets acquired			
Cash assets		1,566	13,132
Receivables		105	11,389
Amounts due from vendors	(ii)	-	10,375
Inventories		-	77
Investment in associate – Kooee JV		828	-
Other assets		-	6,802
Property, plant and equipment		24	423
Payables		(9)	(6,299)
Provisions		(104)	(8,960)
Other liabilities		-	(2,771)
		2,410	24,168
Goodwill on acquisition	14	64,360	55,490
Consideration		66,770	79,658

Notes:

(i) Refer to Note 26 for details of Deed of Cross Guarantee.

(ii) Under the DigiPlus Share Sale Deed a right of set-off existed in respect of these amounts and the Company realised the assets and extinguished the liability simultaneously.

(iii) This Company was incorporated in September 2004.

(iv) Pursuant to an agreement dated 18 March 2005, the Company acquired 100% of the shares in Kooee Communications Pty Ltd and 50% of the shares in SPTCom Pty Ltd in exchange for the issue of 240,000,000 B Digital Ltd shares and the payment of $13.75 million cash. 169,133,115 of the shares issued have been designated by the Directors as consideration applicable to Kooee Communications Pty Ltd.

28. Investments accounted for using the equity method

Share of profits accounted for using the equity method included in the statement of financial performance.

	Consolidated	
	2005 $'000	2004 $'000
Investment in joint venture entities	45,558	-

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

28. Investments accounted for using the equity method (continued)

			Ordinary share ownership interest		Investment carrying amount	
			Consolidated and the Company		Consolidated	
Name	**Principal activities**	**Reporting date**	**2005 %**	**2004 %**	**2005 $'000**	**2004 $'000**
SPTCom Pty Ltd	Telecommunications	31 July	50	-	40,622	-
B Shop Telecommuni-cations Pty Ltd	Telecommunications	30 June	50	-	4,083	-
Kooee Pty Ltd	Telecommunications	30 June	50	-	853	-

Results of associates

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

	Consolidated	
	2005 $'000	**2004 $'000**
Revenues from ordinary activities	9,080	-
Expenses from ordinary activities	(10,667)	-
Loss from ordinary activities before income tax expense	(1,587)	-
Income tax expense relating to ordinary activities	(14)	-
		-
Net loss – accounted for using the equity method	(1,601)	-

Statement of financial position

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

	Consolidated	
	2005 $'000	**2004 '000**
Current assets	6,455	-
Non-current assets	17,252	-
Total assets	23,707	-
Current liabilities	(10,080)	-
Non-current liabilities	(85)	-
Total liabilities	(10,165)	-
Net assets – accounted for using the equity method	13,542	-
Goodwill on acquisition	32,016	-
Carrying amount at end of year	45,558	-

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

28. Investments accounted for using the equity method (continued)

	Consolidated	
	2005 $'000	2004 $'000
Share of post-acquisition retained profits attributable to associates		
Share of joint venture entities retained profits as beginning of year	-	-
Share of joint venture entities net loss	(1,024)	-
Goodwill amortisation	(577)	-
Share of joint venture entities retained losses at end of year	(1,601)	-
Movements in carrying amount of associates		
Carrying amount at beginning of year	-	-
Investment in joint venture entities acquired during the year	47,159	-
Share of joint venture entities net loss	(1,601)	-
Carrying amount at end of year	45,558	-

29 Economic dependency

The consolidated entity relies on the continuance of certain agreements with telecommunications carriers.

At 30 June 2005 the Group has a Service Provider Agreement with Optus Mobile Pty Limited for the supply of mobile services for DigiPlus customers since 30 January 2002 until 30 January 2007 and for the supply of mobile services for the B Mobile customers that expires in February 2009.

This agreement is fundamental to the continued operations of the Group, in particular, the continuity and pricing of services provided by Optus and the ownership of the subscriber base.

30. Segment reporting

Business segment

The consolidated entity operates primarily as a telecommunication provider. More than 90% of revenue, profit from ordinary activities and segment assets relate to this business segment.

Geographical reporting

The Consolidated Entity operates predominantly in geographical segment, being Australia. The New Zealand operations are not considered a material geographical segment and are therefore included within the Australian segment.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

31. Notes to the statement of cash flows

		Consolidated		The Company	
		2005 $'000	2004 $'000	2005 $'000	2004 $'000
(i)	**Reconciliation of cash**				
	For the purposes of the Statements of Cashflows, cash includes cash on hand and cash at bank:				
	Cash on hand	1	1	1	1
	Cash at bank	13,878	17,648	9,008	11,520
	Short term deposit	-	11,000	-	-
		13,879	28,649	9,009	11,521
(ii)	**Reconciliation of operating profit after income tax to net cash used in operating activities**				
	Operating profit after income tax	17,930	11,586	15,941	9,251
	Add items classified as investing/ financing activities:				
	- Loss on sale of non-current assets	8	2	-	2
	Add non-cash items				
	- Amortisation of goodwill	6,622	2,774	-	-
	- Amortisation of subscriber costs	19,566	12,778	18,606	12,222
	- Depreciation	2,418	1,632	2,210	1,553
	- Net bad and doubtful debts including movement in provision of bad and doubtful debts	5,054	5,807	4,020	4,721
	- Amount set aside for employee benefits provisions	(37)	334	(108)	183
	- Intercompany charges	-	-	686	173
	- Other related party interest charges	763	355	763	355
	- Write down in value of inventories	25	-	25	-
	- Share of joint venture entities net loss	1,601	-	-	-
	- Increase/(decrease) in income tax payable	(3,673)	(4,239)	64	-
	- (Increase)/decrease in deferred tax	(1,474)	-	(1,607)	-
	Net cash provided by operating activities before change in assets and liabilities	48,803	31,029	40,600	28,460

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

31.Notes to the statement of cash flows (continued)

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Change in assets and liabilities adjusted for the effects of purchase of controlled entities during the year:				
- (Increase)/decrease in receivables	(442)	(12,961)	3,761	(12,498)
- (Increase)/decrease in other assets	(514)	-	-	-
- (Increase)/decrease in inventories	(321)	(932)	(50)	(860)
- (Increase)/decrease in prepayments	(1,116)	246	(15)	(118)
- (Increase)/ decrease in capitalised subscriber costs	(24,874)	(18,201)	(23,781)	(17,423)
- Increase/(decrease) in trade creditors and accruals	3,457	951	(2,373)	432
- Increase/(decrease) in unearned revenue	(7,582)	2,753	(7,038)	3,069
- Increase/(decrease) in income in advance	(1,011)	1,227	(373)	1,011
- Increase/(decrease) in clawback provision	(691)	(306)	(621)	(602)
- Increase/(decrease) in provisions	(425)	-	(425)	-
Net cash provided by operating activities	15,284	3,806	9,685	1,471

(iii) Financing facilities

At 30 June 2005 the consolidated entity had equipment financing facilities totalling $1 million (2004: $1,570,000) of which $1 million (2004: $210,000) was unused.

(iv) Non cash financing and investing activities

The consolidated entity entered into the following non cash investing and financing activities during the year:

2005

- The consideration for the purchase of Kooee Communication Pty Limited and 50% of SPTCom Pty Limited included the issue of 240 million ordinary shares (refer note 27(b)).

2004

- $1,200,000 of equipment financing was entered into during the year

The consideration for the purchase of DigiPlus Group included the issue of 339,820,562 ordinary shares (refer Note 27(b)).

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

32. Auditor's Remuneration

	Consolidated		The Company	
	2005 $	**2004 $**	**2005 $**	**2004 $**
Amounts received or due and receivable by the auditors for:				
Audit Services:				
Auditors of the Company				
KPMG Australia				
- audit and review of financial reports	315,623	230,896	214,223	178,896
Other Services:				
Auditors of the Company				
KPMG Australia				
- AIFRS advisory	16,500	-	16,500	-
- financial due diligence	264,950	131,376	264,950	131,376
- taxation	-	16,971	-	16,971
- other assurance services	6,048	11,010	-	11,010
	287,498	159,357	281,450	159,357

No other benefits were received by the auditors.

33. Director and executive disclosures

Remuneration of specified directors and specified executives by the consolidated entity

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The Remuneration Committee, where necessary, obtains independent advice on the appropriateness of remuneration packages, given trends in comparative companies. Remuneration packages are fixed for Directors and include a mix of fixed remuneration and performance-based remuneration.

The remuneration structures explained below are designed to attract suitably qualified candidates, and to effect the broader outcome of increasing the consolidated entity's net profit attributable to members of the parent entity. The remuneration structures took into account:

- the overall level of remuneration for each director and executive:
- the executive's ability to control performance; and
- the amount of incentives within each executive's remuneration.

Senior executives may receive short term incentive bonuses based on the achievement of specific performance hurdles. The performance hurdles are a mixture of profit hurdles and subscriber and cash targets. Two specified executives received 100% of their potential short term bonus for 2004.

Although all bonus targets were not achieved in 2005 year and therefore bonuses were not earned for this year, the Board considers that the above performance-linked remuneration structure is generating the desired outcome. The evidence for this is the very strong growth in profits in recent years.

Total remuneration for any non-executive directors, last voted upon by shareholders in 2000 is not to exceed $600,000 per annum. Directors' base fees during the year are up to $50,000 per annum. The Chairperson received $60,000. Non-executive directors do not receive bonuses. Directors' fees cover all main board activities. Non-executive directors who are members of the Audit and Remuneration Committees receive an additional payment of up to $17,000.

The following table provides the details of all directors of the Company ('specified directors') and the executives of the consolidated entity with the greatest authority ('specified executives') and the nature and amount of the elements of their remuneration for the year ended 30 June 2005.

Options were issued under the Employee Share Option Plan in 2000. These options expired during the year and were unexercised. This plan was varied at a meeting of shareholders on 21 April 2005 resulting in a newly created long term incentive scheme. The plan provides for the Managing Director and senior executives to collectively receive up to an annual aggregate of 3,259,000 options over ordinary shares for consideration. The ability to be granted the options, is conditional on the consolidated entity achieving certain performance hurdles. Details of the performance hurdles are explained at note 24.

The consolidated entity has entered into service contracts for each of the Directors and certain specified executives. The contracts are for a 2-year period and are capable of termination on six months notice. The consolidated entity retains the right to terminate the contract by making a payment for the greater of 6 months pay or the balance of the contract term.

The service contract outlines the components of remuneration paid to the executive directors and certain Specified Executives. They are for a fixed amount for performance of specified duties. They do not describe how remuneration levels are modified year to year. Remuneration levels are reviewed to take into account any changes in the scope of the role and any changes required to meet the principles of the remuneration policy.

33. Director and executive disclosures (continued)

Service contracts are in place for Mr P George and Mr N Kotzohambos (2004: Mr S Gentry and Mr N Kotzohambos). Contracts in place for certain Specified Executives consist of Mr P Evans, Mr S Mitchinson and Mr J Cookson (2004: Mr M Robinson). Refer to note 25 for details on the financial impact in future periods resulting from firm commitments arising from these non-cancellable contracts for services with specified directors and certain specified executives.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

33. Director and executive disclosures (continued)

		Primary			Post Employment	Other compensation		
		Salary & fees $	Bonus $	Other benefits $	Superannuation benefits $	Termination benefits $	Insurance premium $	Total $
Specified Directors								
Non Executive								
Mr D Fairfull, Chairman, (appointed 28 April 2005)	2005	8,999	-	-	810	-	4,264	14,073
Mr D Ledbury, (appointed 28 April 2005)	2005	9,750	-	-	877	-	4,264	14,891
Mr P Cleaves, (appointed 28 April 2005)	2005	8,250	-	-	742	-	4,264	13,256
Mr W Egan, (appointed 6 December 2004)	2005	28,769	-	-	2,589	-	4,264	35,622
Prof M Wells, (resigned 6 December 2004)	2005	33,846	-	-	3,046	100,000	4,264	141,156
	2004	70,000	-	-	6,300	-	3,082	79,382
Executive								
Mr P George, Managing Director (appointed 11 August 2004)	2005	179,576	-	277,755	16,162	-	4,264	477,757
	2004	31,438	-	-	2,829	-	3,082	37,349
Mr N Kotzohambos, Digiplus General Manager	2005	235,000	-	2,951	21,150	-	4,264	263,365
	2004	117,500	-	7,418	10,575	-	3,082	138,575
Mr S Gentry, Managing Director 2005 (resigned 11 August 2004) (ii)	2005	44,951	-	-	4,046	544,890	4,264	598,151
	2004	324,074	-	4,622	29,167	-	3,082	360,945
Total, all specified directors	**2005**	**549,141**	**-**	**280,706**	**49,422**	**644,890**	**34,112**	**1,558,271**
	2004	**543,012**	**-**	**12,040**	**48,871**	**-**	**12,328**	**616,251**

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

33. Director and executive disclosures (continued)

		Primary			Post Employment	Other compensation		
		Salary & fees $	Bonus $	Other Benefits $	Superannuation benefits $	Termination benefits $	Insurance premium $	Total $
Specified Executives								
Mr P Evans, B General Manager/Group Chief Financial Officer (ii)	2005	271,265	-	4,622	24,414	208,427	4,264	512,992
	2004	141,542	-	4,622	12,739	-	3,082	161,985
Mr T Levy, Chief Operating Officer 2005 (resigned 13 August 2004) (ii)	2005	24,781	18,894	385	3,931	299,618	4,264	351,873
	2004	222,510	-	4,622	20,026	-	3,082	250,240
Mr S Cuomo, Business Development Manager (resigned 13 August 2004) (ii)	2005	19,227	14,848	-	3,067	235,381	4,264	276,787
	2004	174,883	-	-	15,739	-	3,082	193,704
Mr M Robinson, Chief Executive Officer DigiPlus (resigned 11 February 2005)	2005	152,300	-	2,951	13,707	-	4,264	173,222
	2004	117,500	-	7,718	10,575	-	3,082	138,875
Mrs Karen Langtry, Chief Operations Officer, DigiPlus	2005	172,916	-	-	15,562	-	4,264	192,742
	2004	72,500	-	-	6,525	-	3,082	82,107
Mr Steve Mitchinson, Manager Sales and Service Operations, B	2005	161,476	-	4,622	14,532	-	4,264	184,894
	2004	134,615	-	-	12,155	-	3,082	149,852
Mr Jeremy Cookson, B Marketing Director	2005	161,476	-	4,622	14,532	-	4,264	184,894
	2004	137,404	-	-	12,366	-	3,082	152,852
Total, all specified executives	**2005**	**963,441**	**33,742**	**17,202**	**89,745**	**743,426**	**29,848**	**1,877,404**
	2004	**1,000,954**	**-**	**16,962**	**90,125**	**-**	**21,574**	**1,129,615**

(i) Cash bonuses are granted annually after the end of the financial year. The specific service and performance criteria are set out earlier in this note.

(ii) Resigned in August 2005 as part of the management restructure. A contracted amount of $321,000 (refer Note 25) was paid to Mr S Gentry and a termination amount of $160,500. Termination payments paid to Mr T Levy, Mr S Cuomo and Mr P Evans totalled $625,000. Mr P Evans was subsequently re-employed by the Company as the General Manager of the B operations and Group CFO.

(iii) The Company pays insurance premiums that cover certain directors and officers. The premium is split between the Company directors and other officers only. The average premium per person has been included in remuneration.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

33. Director and executive disclosures (continued)

Option holdings

The movement during the reporting period in the number of options over ordinary shares in B Digital Limited held directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 1 July 2004	Exercised	Elapsed or forfeited	Held at 30 June 2005
Specified Directors				
Mr S Gentry (resigned 11 August 2004)	2,000,000	-	(2,000,000)	-
Prof M Wells (resigned 6 December 2004)	400,000	-	(400,000)	-
Mr P Lewis (resigned 6 December 2004)	200,000	-	(200,000)	-
Specified Executives				
Mr P Evans	26,000	-	(26,000)	-
Mr T Levy (resigned 13 August 2004)	424,000	-	(424,000)	-
Mr S Cuomo (resigned 13 August 2004)	80,000	-	(80,000)	-

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

33. Director and executive disclosures (continued)

Equity holdings and transactions

	Held at 1 July 2004	Purchases	Sales	Held at 30 June 2005
Specified Directors				
Non-executive				
Mr D Fairfull (appointed 28 April 2005)	-	-	-	-
Mr D Ledbury (appointed 28 April 2005)	-	50,000	-	50,000
Mr P Cleaves (appointed 28 April 2005)	-	15,000	-	15,000
Mr W Egan (appointed 6 December 2004)	-	100,000	-	100,000
Prof M Wells (resigned 6 December 2004)	40,000	-	-	40,000
Mr P George	-	-	-	-
Executive				
Mr N Kotzohambos	169,910,281	-	-	169,910,281
Mr P George	-	-	-	-
Mr S Gentry (resigned 11 August 2004)	11,102,294	-	(2,702,294)	8,400,000
Specified Executives				
Mr P Evans	17,500	-	(17,500)	-
Mr T Levy (resigned 13 August 2004)	31,000		(31,000)	-
Mr S Cuomo (resigned 13 August 2004)	-	-	-	-
Mr M Robinson (resigned 11 February 2005)	164,779,027	-	(117,555,024)	47,224,003

Loans from and other transactions with specified directors and executives

	Balance 1 July 2004 $	Balance 30 June 2005 $	Interest paid and payable $	Highest balance in period $
Specified Directors				
Mr N Kotzohambos	3,829,588	3,980,428	384,854	3,980,428
Former Specified Executives				
Mr M Robinson (resigned 11 February 2005)	3,744,383	3,888,151	377,763	3,888,151
	7,573,971	7,868,579	762,617	7,868,579

33. Director and executive disclosures (continued)

Pursuant to the DigiPlus Share Sale Deed, the loans represent the remaining sale proceeds owed by the Company to the Director and former executive related entities, less warranty claims, for the purchase of the DigiPlus business. The loans are payable on 31 December 2006 and are discounted at the rate (10%) applicable to the consolidated entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

34. Non-director related party disclosures

The classes of non-director related parties are:

- controlling entity of the Company;
- wholly-owned controlled entities;
- joint venture entities, including SPTCom Pty Limited which is 50% owned by the Company's controlling entity;
- directors of related parties and their director-related entities.

Transactions

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

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
The aggregate amounts included in the profit from ordinary activities before income tax expense that resulted from transactions with non-director related parties are:				
Revenue from Sale of Goods				
- joint venture entities	3,807	-	3,807	-
Management Fee Revenue				
- wholly owned controlled entity	-	-	648	-
- joint venture entities	183	-	-	-
Airtime & Services Expense				
- joint venture entities	5,113	-	5,113	-
Sale & Marketing Expenses				
- joint venture entities	523	-	523	-
Management Expenses				
- wholly owned controlled entity	-	-	7	-
- joint venture entities	427	-	-	-

34. Non-director related party disclosures (continued)

	Consolidated		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Interest expense				
- wholly owned controlled entity	-	-	611	173
- director related parties	385	180	385	180
- non-director related parties	378	175	378	175
Receivables				
Aggregate amounts receivable from non director related parties:				
Current				
- controlling entity of the Company (i)	2,046	-	-	-
- wholly owned controlled entity	-	-	1,573	-
- joint venture entities	1,108	-	823	-
Non Current				
- joint venture entities (ii)	3,790	-	3,790	-
Payables				
Aggregate amounts payable to non director related parties:				
Current				
- joint venture entities (Kooee JV)	427	-	-	-
Non current				
- wholly owned controlled entity	-	-	27,278	9,013

The amount due to non director related parties arising from the acquisition of the DigiPlus Group of companies is set out in Note 33.

(i) Being the estimated amount arising from the provision of an arms length indemnity relating to the acquisition of Kooee Communications and the collectability of customer receivables.

(ii) Loan to SPTCom, bearing interest at 6.5% only on any difference in the loan amounts made by B Digital Limited and SOT with no fixed term for repayment.

Ultimate parent entity

The immediate and ultimate parent entity of B Digital Ltd is SP Telemedia Limited, a company incorporated in New South Wales.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

35. Impact of adopting Australian equivalents to International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

Transitional Management

The Board has established a formal implementation project, to assess the impact of transition to AIFRS and to achieve compliance with AIFRS reporting for the financial year commencing 1 July 2005.

The project is achieving its scheduled milestones and the consolidated entity is expected to be in a position to fully comply with the requirements of AIFRS for the 30 June 2006 financial year.

Assessment and planning phase

The assessment and planning phase generated a high level overview of the impacts of conversion to AIFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase included:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting AIFRS;
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes;
- evaluation of the implication or staff, for example training requirements; and
- preparing of a conversion plan for the expected changes to accounting policies, reporting structures, systems, accounting and business processes and staff training.

The assessment and planning phase is completed as at 30 June 2005.

Design phase

The design phase formulated the changes required to be made to existing accounting policies, procedures, systems and processes in order to transition to AIFRS. The design phase incorporated:

- formulating revised accounting policies and procedures for compliance with AIFRS requirements;
- identifying potential financial impacts as at the transition date and for subsequent reporting period prior to adoption of AIFRS;
- developing revised AIFRS disclosures;
- designing accounting and business processes to support AIFRS reporting obligations;
- identifying and planning required changes to financial reporting and business source systems; and.

- developing training programs for staff.

35. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

The design phase is completed as at 30 June 2005.

Implementation phase

The implementation phase includes implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff and enables the consolidated entity to generate the required disclosures of AASB1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards.

This phase is substantially complete as at 30 June 2005.

The impacts of transitional to AIFRS

The impact of transition to AIFRS, including the transitional adjustments disclosed (in the reconciliation from current Australian GAAP to AIFRS, and the selection and application of AIFRS accounting policies,) are based on AIFRS standards and management expected to be in place when preparing the first complete AIFRS financial report (being the half year ending 31 December 2005). Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of the Company's and consolidated entity's financial position, results of operations and cash flows in accordance with AIFRS. This note provides only a summary, therefore further disclosure and explanations will be required in the first complete AIFRS financial report for a true and fair view to be presented under AIFRS.

There is a significant amount of judgement involved in the preparation of the reconciliations from current Australian GAAP to AIFRS. Consequently the final reconciliations presented in the first financial report prepared in accordance with AIFRS may vary materially from the reconciliation in this Note.

Revisions to the selection and application of the AIFRS accounting policies may be required as a result of:

- changes in financial reporting requirements that are relevant to the Company's and consolidated entity's first complete AIFRS financial report arising from new or revised accounting standards or interpretations issues by the Australian Accounting Standards Board subsequent to the preparation of the 30 June 2005 financial report;

- Additional guidance on the application of AIFRS in a particular industry or to a particular transaction; and

- Changes to the Company's or consolidated entity's operations.

The rules for first time adoption of AIFRS are set out in AASB 1 Fist time adoption of Australian Equivalents to International Financial Reporting Standards. In general, AIFRS accounting policies must be applied retrospectively to determine the opening AIFRS balance sheet as at transaction date, being 1 July 2004. The standard allows a number of exemptions to this general principle to assist in the transition to reporting under AIFRS. The accounting policies note includes details of the AASB 1 elections adopted.

The significant changes in accounting policies expected to be adopted in preparing the AIFRS reconciliations and the elections expected to be made under AASB1 are set out below:

(a) Business Combinations

As permitted by the election available under AASB 1, the classification and accounting treatment of business combinations that occurred prior to transition date have not been re-stated in preparing the opening AIFRS balance sheet. The assets and liabilities are then subject to the other requirements of AASB 1 as discussed in that standard.

35. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

(b) Intangible Assets

Goodwill

Goodwill represents the difference between the cost of a business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

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 July 2004, the Company and consolidated entity have not finalised the assessment of separately identifiable intangibles which may be subsumed in goodwill under AGAAP. No material impact is anticipated on completion of this assessment on retained earnings at 30 June 2005.

Goodwill will be stated at cost less any accumulated impairment losses. Goodwill will be allocated to cash generating units and tested annually for impairment (refer (d) below for further details on impairment testing.) Goodwill is not amortised under AIFRS. As a consequence, amortisation expense for 2005 of $6.6 million for the consolidated entity will be reversed, resulting in a corresponding increase in goodwill and retained earnings at 30 June 2005.

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 2005 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.

(c) Amortisation

Amortisation will be recognised on a straight-line basis over the estimated useful lives of the intangible assets, unless such 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 is complete.

The impact on the results for the consolidated entity for year ended 30 June 2005 is expected to include an increase from the reversal of goodwill amortisation of $6.6million.

There is no anticipated impact on the results of the Company.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

35. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

(d) Impairment

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 (refer (b) above) 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 it 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.

Goodwill has been tested for impairment as at transition date. No impairment loss has been identified.

35. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

(e) Accounting for Subscriber Acquisitions

(i) 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.

(ii) 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.

(iii) 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.

The effect on the income statement of the consolidated entity for the year ended 30 June 2005 is to increase net profit by $1.1 million, comprising increased revenue from service fees ($13 million), handset sales ($12.2 million) and interest income ($2.9 million), totalling $28.1 million, an increased cost of sales ($10.5 million) and amortisation expense ($16.5 million), totalling $27 million.

The effect on the income statement of the company for the year ended 30 June 2005 is to increase net profit by $1.1 million, comprising increased revenue from service fees ($13 million), handset sales ($10.1 million) and interest income ($2.7 million), totalling $25.8 million, an increased cost of sales ($8.1 million) and amortisation expense ($16.6 million), totalling $24.7 million.

The effect at transition date, 1 July 2004, on the consolidated entity is to increase accumulated losses by $2.4 million, comprising increases in assets of handset receivables ($15.8 million), subscriber acquisition costs ($21.1 million) and an increase in unearned revenue liabilities of $39.3 million.

The effect at transition date, 1 July 2004, on the company is to increase accumulated losses by $2.5 million, comprising increases in assets of handset receivables ($14.2 million), subscriber acquisition costs ($21.7 million) and an increase in unearned revenue liabilities of $38.4 million.

The effect at 30 June 2005, on the consolidated entity is to increase accumulated losses by $1.4 million, comprising increases in assets of handset receivables ($11.7 million), subscriber acquisition costs ($13.2 million) and an increase in unearned revenue liabilities of $26.3 million.

35. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

The effect at 30 June 2005, on the company is to increase accumulated losses by $1.7 million, comprising increases in assets of handset receivables ($10 million), subscriber acquisition costs ($14 million) and an increase in unearned revenue liabilities of $25.4 million.

(f) 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.

For the financial year ended 30 June 2005, employee benefits expense and retained earnings are expected to increase by $0.3 million in the consolidated entity and the Company. There was no financial impact for 2004.

(g) Taxation

Tax consolidation

The UIG is currently deliberating the recognition of tax amount, under the tax consolidation regime of the AIFRS framework. It is currently proposed that wholly owned subsidiaries in the tax consolidated group will be required to recognise their own tax balances directly, and the current tax liability of assets will be assumed by the head entity via equity contribution or distribution.

As the interpretation has only recently been issued, this change whilst not considered material, has not been quantified.

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

35. Impact of adopting Australian equivalents to International Financial Reporting Standards continued)

The following table sets out the expected adjustments to the statements of financial position of the Company and the consolidated entity at transition to AIFRS as at 1 July 2004 and for the AIFRS comparative period balance sheet as at 30 June 2005.

Reconciliation of equity

	Consolidated 1 July 2004			Consolidated 30 June 2005			The Company 1 July 2004			The Company 30 June 2005		
	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000
ASSETS												
Current Assets												
Cash	28,649	-	28,649	13,879	-	13,879	11,521	-	11,521	9,009	-	9,009
Receivables	45,205	15,842	61,047	45,258	11,733	56,991	34,645	14,272	48,917	28,084	9,996	38,080
Inventories	1,704	-	1,704	2,000	-	2,000	1,555	-	1,555	1,580	-	1,580
Other	737	-	737	1,853	-	1,853	510	-	510	525	-	525
	76,295	15,842	92,137	62,990	11,733	74,723	48,231	14,272	62,503	39,198	9,996	49,194
Non current assets												
Receivables	-	-	-	4,540	-	4,540	-	-	-	3,790	-	3,790
Investments accounted for using the equity method	-	-	-	45,558	-	45,558	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	79,658	-	79,658	192,304	-	192,304
Property plant and equipment	3,667	-	3,667	4,222	-	4,222	3,301	-	3,301	3,688	-	3,688
Deferred tax asset	230	-	230	1,704	-	1,704	-	-	-	1,606	-	1,606
Intangibles	52,716	-	52,716	110,628	6,629	117,257	-	-	-	-	-	-
Other	25,270	20,765	46,035	30,113	12,919	43,032	18,964	21,669	40,633	23,713	14,008	37,721
	81,883	20,765	102,648	196,765	19,548	216,313	101,923	21,669	123,592	225,101	14,008	239,109
Total Assets	158,178	36,607	194,785	259,755	31,281	291,036	150,154	35,941	186,095	264,299	24,004	288,303

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

35.Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

Reconciliation of equity (continued)

	Consolidated 1 July 2004			Consolidated 30 June 2005			The Company 1 July 2004			The Company 30 June 2005		
	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000
LIABILITIES												
Current liabilities												
Payables	35,507	-	35,507	46,456	-	46,456	29,423	-	29,423	31,735	-	31,735
Interest bearing liabilities	446	-	446	416	-	416	446	-	446	416	-	416
Current tax liabilities	4,750	-	4,750	1,077	-	1,077	-	-	-	64	-	64
Provisions	3,868	-	3,868	2,664	-	2,664	3,177	-	3,177	2,024	-	2,024
Other	12,314	30,886	43,200	7,080	21,906	28,986	10,059	30,474	40,533	5,593	21,582	27,175
	56,885	30,886	87,771	57,693	21,906	79,599	43,105	30,474	73,579	39,832	21,582	61,414
Non current liabilities												
Interest bearing liabilities	8,221	-	8,221	8,098	-	8,098	17,234	-	17,234	35,376	-	35,376
Provisions	147	-	147	198	-	198	90	-	90	90	-	90
Other	3,784	8,150	11,934	419	4,098	4,517	2,945	7,952	10,897	-	3,832	3,382
	12,152	8,150	20,302	8,715	4,098	12,813	20,269	7,952	28,221	35,466	3,832	39,298
Total Liabilities	69,037	39,036	108,073	66,408	26,004	92,412	63,374	38,426	101,800	75,298	25,414	100,712
Net Assets	89,141	(2,429)	86,712	193,347	5,277	198,624	86,780	(2,485)	84,295	189,001	(1,410)	187,591

Notes to and forming part of the Financial Statements (Continued)
for the year ended 30 June 2005

35. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

Reconciliation of equity (continued)

	Consolidated 1 July 2004			Consolidated 30 June 2005			The Company 1 July 2004			The Company 30 June 2005		
	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000
Equity												
Contributed equity	138,331	-	138,331	230,491	289	230,780	138,331	-	138,331	230,491	289	230,780
Reserves	26	-	26	22	-	22	-	-	-	-	-	-
Accumulated losses	(49,216)	(2,429)	(51,645)	(37,166)	4,988	(32,178)	(51,551)	(2,485)	(54,036)	(41,490)	(1,699)	(43,189)
Total Equity	89,141	(2,429)	86,712	193,347	5,277	198,624	86,780	(2,485)	84,295	189,001	(1,410)	187,591

35. Impact of adopting Australian equivalents to International Financial Reporting Standards (continued)

Reconciliation of profit for the financial year ended 30 June 2005

The following table sets out the expected adjustments to the statements of financial performance of the Company and the consolidated entity for the year ended 30 June 2005.

	Consolidated 30 June 2005			The Company 2005		
	AGAAP $'000	Transition Impact $'000	AIFRS $'000	AGAAP $'000	Transition Impact $'000	AIFRS $'000
Service fees	296,074	13,012	309,086	206,464	13,012	219,476
Sale of goods	26,215	12,154	38,369	26,215	10,076	36,291
Other Income	6,875	-	6,875	6,576	-	6,576
Airtime and service expenses	(215,671)	2,885	(212,786)	(153,940)	4,945	(148,995)
Cost of goods sold	(25,636)	(10,547)	(36,183)	(25,636)	(8,094)	(33,730)
Amortisation expense	(26,195)	(12,731)	(38,926)	(18,606)	(21,568)	(40,174)
Other Expenses	(41,936)	(289)	(42,225)	(28,238)	(289)	(28,527)
Interest revenue	1,078	2,933	4,011	619	2,704	3,323
Share of net profit from investments accounted for using the equity method	(1,601)	-	(1,601)	-	-	-
Profit before income tax expense	19,203	7,417	26,620	13,454	786	14,240
Income tax expense	(1,273)	-	(1,273)	2,487	-	2,487
Profit for the period	17,930	7,417	25,347	15,941	786	16,727

Summary of impact of transition to AIFRS on retained earnings

The impact of the transition to AIFRS on retained earnings as at 1 July 2004 is summarised below:

	Consolidated $'000	The Company $'000
Retained earnings as at 1 July 2004 under AGAAP	(49,215)	(51,551)
AIFRS reconciliation:		
- Sale of goods	15,842	14,272
- Connection commissions	(39,368)	(38,426)
- Acquisition gross costs	21,096	21,669
Retained earnings as at 1 July 2004 under AIFRS	(51,645)	(54,036)

36. Events subsequent to reporting date

Dividends

Since the end of the financial year, the directors declared a fully franked 1 cent dividend payable on 13 December 2005 totalling $8.3 million. The financial effect of this dividend has not been brought to account for the year ended 30 June 2005 and will be recognised in subsequent financial years in accordance with Australian GAAP.

Options

During September 2005, 2,759,400 Options pursuant to the Executive Share Option Plan were granted resulting from the achievement of the 2005 financial year EPS hurdle. Refer Note 24 for further detail.

Working capital and financing facility

Since the end of the financial year, the Company has been offered a $15 million working capital and financing facility from bankers. Final pricing negotiations are ongoing.

Directors' Declaration

1. In the opinion of the Directors of B Digital Limited:

(a) the financial statements and notes, set out on pages 19 to 84, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 30 June 2005 and of their performance as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 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.

2. There are reasonable grounds to believe that the Company and the controlled entities identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 245A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the finanacial year ended 30 June 2005.

Dated at Perth this 13 September 2005.

Signed in accordance with a resolution of the Directors.

Mr Peter George
Managing Director

Independent audit report to members of B Digital Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statements of financial position, statements of financial performance, statements of cash flows, accompanying notes to the financial statements, and the directors' declaration for both B Digital Limited ("the Company") and the Consolidated Entity, for the year ended 30 June 2005. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The 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*, Australian 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.

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.

Independence

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

Audit opinion

In our opinion, the financial report of B Digital Limited is in accordance with:

a) the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2005 and of their performance for the financial year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

KPMG

D P McCOMISH
Partner

Perth
Dated: 13 September 2005

ASX Additional Information

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

Shareholdings

Substantial shareholders

The number of shares in which the substantial shareholders hold an interest as at 31st August 2005 were:

	Shares	%
Nordan Limited	472,000,000	57.00%
Kildare Assets Limited	169,910,281	20.502%

Class of shares and voting rights

At 31st August 2005, there were 2,597 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in clause 14 of The Company's Constitution, are:

Subject to any special rights or restrictions for the time being attaching to any class of Shares.

(a) on a show of hands at a meeting of Members, every Eligible Voter present has one vote; and

(b) on a poll at a meeting of Members, every eligible Member (not being a Corporation) present in person or by proxy or attorney, and every Eligible Member (being a Corporation) present by a Representative or by proxy or attorney, has one vote for each Share that Eligible Member holds, but:

(i) if at any time there is on issue any Share which has not been fully Paid Up that Share on poll will confer only that fraction of one vote which the amount paid (not credited) on that Share, excluding any amounts paid up in advance of the applicable due date for payment, bears to the total amounts paid and payable (excluding amounts credited) on that Share; and

(ii) if the total number of votes to which an Eligible Member is entitled on a poll does not constitute a whole number, then the Company will disregard the fractional part of that total.

At 31st August 2005, there were options over 3,289,000 unissued ordinary shares granted to directors, executives and employees under an Employee Share and Option Plan. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the options have been exercised.

On-market buy-back

There is no current on-market buy-back.

Distribution of Share Holders (as at 31st August 2005)

Category	Number of Shareholders	
	Ordinary	Options
1 – 1,000	281	-
1,001 – 5,000	1,207	-
5,001 – 10,000	336	-
10,001 – 100,000	668	45
100,000 and over	105	5
	2,597	50

There were 321 holders holding less than a marketable parcel of ordinary shares.

Restricted Securities

There are no restricted securities on issue although 117,000,000 ordinary shares are subject to voluntary escrow until 28 April 2006.

Unquoted Securities

The number of unquoted options on issue as at 31st August 2005 was 6,372,000 and these were held by 50 holders. These were issued under an employee incentive scheme.

B Digital Limited

ACN: 085 089 970

Incorporated in Western Australia

Twenty Largest Shareholders (as at 31st August 2005)

Holder Name	Number of Ordinary Shares Held	Percentage of Capital Held
S P Telemedia Limited	355,000,000	42.836
Kildare Assets Limited <NZ No 1 A/C>	169,910,281	20.502
J P Morgan Nominees Australia Limited	54,176,698	6.537
Nordan Limited <NZ No 2 A/C>	41,674,589	5.029
Equity Trustees Limited <SGH PI Smaller Co's Fund>	34,114,145	4.116
ANZNominees Limited <Cash Income A/C>	24,216,236	2.922
National Nominees Limited	22,129,249	2.670
Amp Life Limited	15,001,827	1.810
RBC Global Services Australia Nominees Pty Limited <Pipooled A/C>	14,656,049	1.768
Blacklash Pty Limited	8,400,000	1.014
Westpac Custodian Nominees Limited	5,265,493	0.635
Kilaben Holdings Pty Limited	4,807,692	0.580
Cogent Nominees Pty Limited	4,788,568	0.578
Invia Custodian Pty Limited <Black A/C>	4,779,000	0.577
Cogent Nominees Pty Limited <SMP Accounts>	4,111,020	0.496
Farjoy Pty Ltd	3,008,000	0.363
Brickworks Investment Company Limited	3,000,000	0.362
Citicorp Nominees Pty Limited	2,500,000	0.302
RBC Global Services Australia Nominees Pty Limited <PIIC A/C>	2,260,853	0.273
Berne No 132 Nominees Pty Ltd <146199 A/C>	2,000,000	0.241
Totals for Top 20	**787,587,235**	**95,034%**
Total on Issue	**828,745,212**	

Offices and officers

Company secretary

Mr Desmond Kelly B. Comm CPA MAICD

Principal registered office

Level 2

1 Adelaide Terrace

PERTH WA 6000

Telephone: 08 9463 5800

Facsimile: 08 9463 5955

Location of share registry

Registries Limited

Level 2

28 Margaret Street

SYDNEY NSW 2000

PO Box R67

Royal Exchange

SYDNEY NSW 1223

Telephone: (02) 9290 9600

Facsimile (02) 9279 0664

Stock Exchange

The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney. ASX Code BBB.

Other information

B Digital Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.