



Espreon Limited

(ACN 090 651 700)

Annual Report 2009

Contents

3	Chairman's and Chief Executive Officer's Report
4	Corporate Governance
8	Directors' Report
21	Financial Statements
26	Notes to the Financial Statements
75	Directors' Declaration
76	Independent Audit Report
78	Additional Information
80	Company Directory

Chairman's & Chief Executive Officer's Report

We are pleased to present the Annual Report of Espreon Limited for the 2009 financial year (FY09).

It is fair to say that FY09 has been a very eventful year for Espreon Limited, and will be its last full year as an ASX listed company.

In August 2008 the Company received an offer to acquire all of the issued capital via a Scheme of Arrangement which was subsequently abandoned. This was subsequently followed by two competing off-market bids for the Company, one of which resulted in SAI Global Limited ("SAI") achieving a controlling stake of approximately 63% in the Company. In addition, the Company sold two of its three operating divisions in January 2009.

The most significant event during the period was SAI achieving a controlling stake. In its Bidder's Statement, SAI set out its intention to remove Espreon from the ASX Official List (i.e. to de-list the company) and this is due to occur on 29 September 2009. This is an appropriate action because two shareholders now own over 99% of the issued share capital of Espreon and there is no longer sufficient liquidity in the stock to justify the continuation of an ASX listing. Espreon's life as an ASX listed entity will therefore cease on 29 September 2009, with its shares being suspended from trading at close of business on 22 September 2009.

We strongly urge the few remaining minority shareholders to dispose of their shares prior to 22 September 2009 to avoid being left holding an illiquid investment. To provide some liquidity for minority shareholders seeking to sell their shares, the Company is currently undertaking an on-market buy-back of its shares.

Operationally during the period, the Company narrowed its strategic focus to its core Property Services business and proceeded to sell its Corporate Services and Billback Systems businesses. The sale of these businesses was completed on 2 January 2009. The gross proceeds received for these businesses was \$18 million which resulted in a write down of goodwill of \$20.3 million. The total net loss on sale of these businesses was \$19.7 million. The results of these businesses up to the date of disposal have been classified as "discontinued operations" in the accounts.

Revenue from the Property Services business for the year was \$100.4 million down 6.8% from the \$107.7 million achieved in the corresponding period. Following a decline of 12.7% in the first half the Company has experienced stronger demand for its services in the second half as the Government's First Home Buyers Boost has contributed to higher transaction volumes.

EBITDA from continuing operations, before costs associated with the takeover offers of \$2.2 million, decreased by 16.8% to \$6.6 million. The Group's net finance costs reduced by 13.6% to \$1.9 million; comprising a net interest expense of \$1.2 million and a loss on derivative hedges of \$0.7 million. The Company ended the year debt free having repaid its bank loans out of cash reserves prior to the year end.

The net profit after tax, before the loss on the disposal of the Corporate Services and Billback Systems businesses was \$0.5 million, down from \$2.9 million in the corresponding period.

We expect market conditions to continue to be challenging in the short-term, but the prospects for the Company in the longer term remain promising.

We would like to thank Management and staff for their support and contribution over the past year, with a special mention and thank you to Iain Keddie who, as the Chief Executive Officer of the Company at the time, was instrumental in ensuring a smooth handover of management control to SAI.

We also wish to place on record our appreciation to Craig Kennedy who resigned in November 2008 and the Directors who left the Board in March 2009 for their services to the Company over many years.



Phillip Anderson
Chairman



Tony Scotton
Chief Executive Officer

Corporate Governance

On 20 February 2009, SAI Global Limited ("SAI") secured a controlling stake in Espreon Limited. To reflect the fact that Espreon Limited is now a controlled entity of SAI Global Limited, and consistent with SAI's intentions as set out in its Bidder's Statement dated 13 January 2009, the Board of Espreon Limited has been re-constituted, and the corporate governance structure amended accordingly.

Details of SAI's corporate governance practices and policies are set out in the SAI Global Limited annual report.

1. Role of the Board and Management

The Board's main role is to protect and maintain long-term shareholder value and exercise responsibility for the overall corporate governance of Espreon.

Responsibilities of the Board

The responsibilities of the Board are to:

- establish a strategic plan and approve initiatives and corporate strategies for the Company;
- adopt an annual budget for the financial performance of the Company;
- monitor the performance of Management against strategic goals and objectives;
- monitor financial performance and approve annual and half-year financial reports;
- ensure that the Company has adequate reporting systems and internal controls;
- ensure that a sound system of risk oversight and management is established; and
- establish policies to ensure that the Company complies with all applicable laws and regulations.

Responsibilities of Management

The Board has delegated responsibility for management the day to day operations of the Company to the Chief Executive Officer and Management. The Chief Executive Officer is accountable to the Board for all authority delegated to Management.

2. Board Structure

Board of Directors

The names of the Directors in office at the date of this Statement together with details of their skills, experience, expertise, date of appointment to the Board, and the Board's determination of their independent status, are set out in the Directors' Report.

Independent Non-Executive Chairman

The Board currently consists of two Executive Directors and a Non-Executive Chairman. The Chairman is independent in accordance with the definition of independence contained the ASX Principle No.2.

The Chairman is responsible for leading the Board, ensuring that Board activities are organised and conducted efficiently and Directors are properly briefed for meetings. The Chief Executive Officer is responsible for implementing strategy and policies.

The members of the Espreon Board at the date of this report are:

- Mr Phil Anderson - Chairman (Independent and continuing Espreon director)
- Mr Tony Scotton - Executive Director and Chief Executive Officer
- Mr Geoff Richardson - Executive Director and Chief Financial Officer

Tony Scotton and Geoff Richardson are executives of, and remunerated by, SAI Global Limited. No Director has a fixed term of office. Under the Company's constitution, one third of the Directors, excluding the Chief Executive Officer, must retire each year by rotation.

Corporate Governance (continued)

Directors are required to disclose any conflicts of interest and to abstain from participating in any discussion or voting on matters in which they have a material personal interest. With prior consent of the Chairman, individual Directors may seek independent professional advice at the expense of the Company. Any advice obtained must be made available to all Directors.

Board Committees

Following the re-constitution of the Espreon Board noted above, it has been deemed inappropriate to continue with Board Committees. Matters which would have otherwise been referred to and dealt with by Committees of the Board are now dealt with by the Espreon Board.

Nomination of Directors

The Board notes and takes guidance from SAI as to the nomination of Directors.

3. Ethical and Responsible Decision Making

Ethical business behaviour

Espreon is committed to preserving high ethical standards and the promotion of responsible decision making.

Trading Policy

The Company has adopted a Trading Policy that sets out procedures for Directors, officers and staff to deal in Company shares only:

- for 45 days immediately after the announcement of the Company's half-yearly results;
- for 45 days immediately after the announcement of the Company's full year results;
- for other specific periods for which approval:
 - (i) from the Board is obtained in the form of a Board resolution - for Directors, and
 - (ii) from the Chief Executive Officer and the Chairman is obtained - for officers and staff.

The Board can order the suspension of trading activities at any time during the trading windows if they believe that the Directors, officers or staff are in possession of price sensitive information not yet announced to the market.

4. Integrity in Financial Reporting

Prior to the release of periodic financial reports, the Board meets to:

- review reports prepared by Management and the external auditors;
- review the performance of the external auditors;
- liaise with the external auditors and ensure that the annual audit and half-yearly review are conducted in an effective manner;
- assess adequacy and effectiveness of internal controls and recommend enhancements;
- monitor compliance with the Corporations Act and ASX Listing Rules and oversee matters relating to taxation and other regulatory authorities; and
- monitor the accounting function and oversee the financial reporting process.

Representations by the Chief Executive Officer and the Chief Financial Officer

The Chief Executive Officer and the Chief Financial Officer provide a representation letter to the Board for the half-year and full-year financial statements whereby they certify that the Company's financial reports present a true and fair view of the results and financial position of the Company, are prepared in accordance with applicable Accounting Standards, and that the Company's risk management and internal compliance and control system is operating effectively in all material respects.

Corporate Governance (continued)

5. Continuous Disclosure

The Company complies with the ASX Listing Rules on Continuous Disclosure.

6. Shareholder Communication

The Board recognises that shareholders of Espreon need relevant and timely information to be able to make informed decisions regarding their investment and effectively partake in general meetings.

The Company's external auditor is invited to attend all meetings of shareholders. At the annual general meeting, the auditors are available to answer shareholder questions regarding the conduct of the audit and the preparation and content of the audit report.

7. Risk Management

In its risk management role, the Board:

- reviews the efficiency and effectiveness of the Company's risk management and compliance environment. The primary responsibility is to establish appropriate policies and procedures relevant to managing the underlying risks of the business;
- communicates the risk management processes to those responsible for implementing them;
- ensures relevant staff education and awareness of the risk process; and
- receives regular reports on risk management from those staff responsible within the reporting framework.

8. Fair and Responsible Remuneration

In its Remuneration role, the Board reviews the remuneration policies of the Company, including the basis for setting fees for the Non-Executive Chairman and Management, as well as any incentive schemes. There are no schemes in place relating to retirement benefits for Non-Executive Directors.

The Chief Executive Officer and Chief Financial Officer receive no personal remuneration from Espreon. SAI levies a monthly fee of \$14,500 for Mr Scotton's services and \$8,900 for Mr Richardson's services.

Remuneration policy

Remuneration policy is designed to be market competitive and to incorporate incentives that align executive focus with shareholder interests. The policy sets the framework within which the terms and conditions for the senior executives are determined. The remuneration packages of Management are reviewed annually by reference to company performance, executive performance, market practice and appropriate independent advice. The performance of Management is measured against various criteria agreed annually. The policy is designed to attract the highest calibre executives and reward them for performance, which results in long-term growth in shareholder value.

Where applicable, the amount of remuneration for Directors and executives holding key management positions, including all monetary and non-monetary components, is detailed in the Directors' Report. All remuneration paid to executives is valued at the cost to the Company and expensed. An independent valuation of options and rights issued is obtained to support the accounting and reporting disclosures in the Annual Report. The payment of bonuses, share rights and other incentive arrangements is reviewed by the Board annually as part of the review of executive remuneration. All bonuses, share rights and incentives are linked to predetermined performance criteria. The Board can exercise its discretion in relation to approving incentives, bonuses and rights to shares.

Corporate Governance (continued)

9. Legitimate Interests of Stakeholders Recognised

Espreon is committed to maintaining high ethical standards in its internal operations and its interaction with shareholders, investors, clients, stakeholders and regulatory bodies. To support this commitment, the Board has established a Code of Conduct, which has the aim of ensuring a high standard of business behaviour with all employees having an obligation to treat others with fairness, honesty and respect.

Directors' Report

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2009.

Directors

The names and detail of the Company's Directors in office through the entire financial year and until the date of this report are as follows:

Phillip Anderson, Non-Executive Director and Chairman

Craig Kennedy was Managing Director and Chief Executive Officer from the beginning of the period until his resignation on 25 November 2008.

Ian Payne, Judi Stack and Roger Amos were Non-Executive Directors from the beginning of the period until their resignation on 12 March 2009.

Tony Scotton and Geoff Richardson were appointed to the Board on 12 March 2009 and remain as Directors at the date of this report. Tony Scotton was appointed Chief Executive Officer of the Company on 1 May 2009. Geoff Richardson is the Chief Financial Officer of the Company.

Phillip Anderson *Non-Executive Director and Chairman*

Phillip joined Espreon as a Director on 1 July 2004 following a 15 year career with Lend Lease where he held a variety of roles including Chief Executive of Lend Lease Development and Finance Director of Lend Lease Property Group. He brings significant commercial and financial expertise to the Espreon Board. Currently Mr Anderson is a Non-Executive Director of Hastie Group Ltd, Aevum Limited, Isis Group Holdings Pty Ltd, Sakkara Holdings Pty Ltd and Penrith Lakes Development Corporation Ltd. He has also served as a Director of Macarthur Cook Limited (resigned May 2007) and NSW Growth Centres Commission (resigned February 2008). He is also a CPA, a Fellow of the Institute of Chartered Secretaries and a Member of the Australian Institute of Company Directors.

Tony Scotton *Executive Director & Chief Executive Officer*

Tony has many years of general management experience across a broad range of manufacturing and distribution businesses, most recently as Managing Director and Chairman of the Construction Products Division of Pacifica Group. He has managed several business disposals, acquisitions and integrations and is experienced in establishing and managing international businesses.

Mr Scotton is the Chief Executive Officer of SAI Global Limited and has been with SAI for over 7 years, originally as Chief Operating Officer and Executive Director and then Chief Executive Officer since September 2007. He is a director of a number of SAI's controlled entities and Telarc SAI Limited (A New Zealand company in which SAI Global Limited has a 25% equity interest).

Geoff Richardson *Executive Director and Chief Financial Officer*

Geoff has held many senior Finance positions in a number of listed companies in both the Financial Services and Professional Services sectors. Mr Richardson has been the Chief Financial Officer of SAI Global Limited for the past 5 years and actively involved in acquisitions and integrations. He is currently a director of a number of SAI's controlled entities.

Company Secretary

Mr Hean Siew was appointed Joint Company Secretary on 26 November 2008 and retained this position until he retired from this position on 12 March 2009. Mr Iain Keddie was Company Secretary from the beginning of the period until 26 November 2008 when he became Joint Company Secretary. He retained this position until his retirement from this position on 12 March 2009.

Directors' Report (continued)

Ms Hanna Myllyoja (BA LLB, Grad Dip Leg Prac) was appointed Company Secretary on 12 March 2009. Ms Myllyoja is currently the General Counsel and Company Secretary of SAI Global Limited. Prior to this appointment, Ms Myllyoja had been employed for over 9 years as Legal Counsel for the entities that then comprised the SAI Global Group. Prior to joining SAI Global Ms Myllyoja was employed as a solicitor in private practice.

Principal activities

Espreon is a service provider to organisations in the financial and professional services sectors. The principal activities of the economic entity include:

- the provision of licensed information from various authorities such as Land Title Offices and ASIC;
- attendance to the settlement, stamping and registration of property transactions and other related ancillary services;

On 2 January 2009, the Company disposed of the Corporate Services and Billback Systems businesses.

There were no other significant changes in the nature of the economic entity's principal activities during the year.

Dividends

No dividend has been declared by the Directors.

Operating and Financial Review

Group Overview

The consolidated net loss after income tax ("NPAT") for the year was \$19.1 million (2008: a profit of \$5.3 million). This loss included a loss of \$19.7 million on the disposal of the Corporate Services and Billback Systems businesses.

Profit after income tax from continuing businesses was \$0.5 million (2008: a profit of \$2.9 million). The reduced profit reflects the decreased volume of property transactions as a result of the weaker economic conditions compared to the prior period. In addition, a charge of \$2.2 million before income tax was incurred in responding to the takeover offers received during the period.

On 2 January 2009, the Company completed the sale of the Corporate Services and Billback Systems businesses. These businesses are classified as "discontinued operations" in this financial report.

Corporate Services revenue from the beginning of the period until disposed of was \$6.6 million. Similarly, profit before tax was \$0.8 million and EBITDA was \$1.0 million. Billback Systems revenue from the beginning of the period until disposed of was \$7.3 million. Similarly, profit before tax was \$0.3 million and EBITDA was \$1.0 million.

Significant changes in state of affairs

On 2 January 2009, the Company disposed of the Corporate Services and Billback Systems businesses.

During the period SAI Global Limited achieved a controlling stake of approximately 63% through an off-market bid, and assumed management control of the Company. In accordance with the intentions set out in SAI's Bidder's Statement, Espreon Limited is to be de-listed from the ASX Official List on 29 September 2009, with its shares being suspended from trading from close of business on 22 September 2009.

Directors' Report (continued)

Other than the matters referred to above and in the financial statements or notes thereto, there were no significant changes in the state of affairs of the economic entity during the period.

Significant events after the balance date

Significant events after the balance date is disclosed in Notes to the financial statements, note 29.

Likely developments and expected results of operations

Disclosure of information relating to the future developments of the economic entity which would not, in the opinion of the Directors, be prejudicial to the interests of the economic entity is contained in the Chairman's and Chief Executive Officer's report.

Environmental regulation and performance

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors' Report (continued)

Remuneration Report (Audited)

This Remuneration Report outlines the Director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 Related Party Disclosures, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Parent Company and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the Chief Executive Officer, senior executives, general managers and secretary of the Parent and the Group.

Remuneration policy

Other than for SAI employees providing management services to the Company, the Board is responsible for determining and reviewing remuneration arrangements for senior executives. The Board assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive team.

SAI employees providing management services to the Company do not receive any remuneration from the Company. SAI levies a management fee for these services as set out in note 26.

Remuneration Philosophy

To prosper the Company must attract, motivate and retain highly skilled executives. To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives;
- link executive rewards to shareholder value;
- have a significant portion of executive remuneration 'at risk'; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Non-Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain high calibre directors at a cost that is acceptable to shareholders. The latest determination was at the Annual General Meeting held on 16 November 2004 when shareholders approved an aggregate remuneration of \$350,000 per year.

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board reviews payments to Non-Executive Directors annually, based on market practice, duties and accountability. Independent external advice is sought when required. Non-Executive Directors do not receive retirement benefits nor do they participate in the incentive programs.

Executives remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Directors' Report (continued)

Structure

Other than for SAI employees providing management services to the Company, the Board reviews the remuneration arrangements for the executive team and engages external consultants as needed to provide independent advice.

Executive remuneration consists of the following key elements:

- Fixed remuneration (base salary, superannuation and non-monetary benefits);
- Variable remuneration
 - Short-term incentive (STI); and
 - Long-term incentive (LTI).

The remuneration of executives is reviewed by the Board annually.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is market competitive.

Fixed remuneration is reviewed annually by reference to the Group's performance, the executive's performance and comparable information from industry sectors.

Fixed remuneration comprises a cash salary, superannuation contributions at relevant statutory rates and fringe benefits such as motor vehicles. Executives may elect to sacrifice cash salary to receive remuneration in other forms which do not impose an undue administrative burden to the Company.

Variable remuneration – Short-term Incentive (STI)

The objective of the STI program is to link the achievement of the Group's operational targets and profitability with the remuneration received by executives.

Payments under the STI plan are linked to predetermined performance criteria which are agreed annually with each executive and are based predominantly on the executive's contribution to the Company's performance. Specific performance measures and objectives are set annually by the Board and include measures such as Group and divisional profitability, market position, growth in customer numbers and satisfaction, and staff retention. The performance objectives are established based on forecast figures for the Group and relative industry standards.

The Board reviews the performance of each executive against the performance criteria and utilises audited financial information wherever possible to determine the achievement of objectives. The Board may exercise its discretion in relation to approving and varying incentive payments.

Variable remuneration – Long-term Incentive (LTI)

Historically, the objective of the Company's LTI plan was to reward executives in a manner that aligned remuneration with the creation of Shareholder wealth. LTI grants were made to executives who are able to influence the generation of Shareholder wealth and impact the Group performance.

Prior to SAI Global Limited becoming the majority shareholder in Espreon Limited, executives were issued LTI's via Company's Executive Option Plan (EOP) which was established in 2007. Under the EOP, the Company issued market priced options to executives as the standard long-term incentive mechanism. Options granted to executives included service vesting conditions and performance conditions, which required the earnings per share and total shareholder return for the Company to exceed specified targets over a specific three year period. During the financial year 2009, 500,000 Options were granted under the EOP. These Options vested on 27 February 2009 and were exercised on 27 February 2009. Details of the grants, vesting, and exercise are disclosed in this Remuneration Report.

It is unlikely that future grants of long-term incentives will be made under the EOP and the Board intends examining alternative approaches to the delivery of long-term incentives during the 2009/10 year.

Directors' Report (continued)

Key Management Personnel

During the year the following persons were the executives with the greatest authority for the strategic direction and management of the Group and comprise the key management personnel for the purpose of disclosures under AASB 124.

Name	Title	Period of responsibility
Current		
Tony Scotton	Executive Director & Chief Executive Officer	Appointed 12 March 2009 and 1 May 2009 respectively
Geoff Richardson	Executive Director & Chief Financial Officer	Appointed 12 March 2009 and 30 April 2009 respectively
Hanna Myllyoja	General Counsel & Company Secretary	Appointed 1 May 2009
Andrew Jones	Group Director HR	Appointed 1 May 2009
Brett W Lenthall	Chief Information Officer	Appointed 1 May 2009
Nathan Harper	Chief Technology Officer	Appointed 1 May 2009
Duncan Ward	General Manager, Property Services	Full Year
Former		
Craig Kennedy	Chief Executive Officer & Managing Director	Resigned 25 November 2008
Iain Keddie	Interim Chief Executive Officer and Chief Financial Officer	Ceased employment 30 April 2009
	Company Secretary	Ceased 12 March 2009
Brian Parker	Chief Operating Officer	Ceased employment 31 May 2009
Andrew Moon	CEO, Billback Systems	Ceased employment 2 January 2009
Russell Scott	General Manager, Corporate Services	Ceased employment 2 January 2009

In addition to the above, the following executive, whilst not key management personnel in accordance with AASB 124 Related Party Disclosure, should be included in the executive remuneration report due to the fact that he is among the five highest remunerated executives during the year.

Name	Title	Period of responsibility
Joe Kiernicki	Group Financial Controller, Espreon Limited	Full Year

Tony Scotton, Geoff Richardson, Hanna Myllyoja, Brett Lenthall, Nathan Harper and Andrew Jones are employed and remunerated by SAI Global Limited, being the ultimate parent company of Espreon Limited. SAI Global Limited levies a charge to Espreon Limited in respect of the services provided by these individuals to the Espreon Group, details of which are disclosed in note 26. Remuneration details for the aforementioned key management personnel have been included in the remuneration table contained within this Directors' Report. The entries in relation to Messrs, Scotton, Richardson, Lenthall, Harper and Ms Myllyoja are an apportionment of their time commitment to Espreon Limited. Details of the remuneration received by these individuals from SAI Global Limited are disclosed in SAI Global Limited's financial statements for the year ended 30 June 2009.

Directors' Report (continued)

Employment and consultancy contracts

Details of contracts with the Key Management Personnel are as set out below. The Chairman does not have a contract of employment.

All service agreements for executives are unlimited in term but may be terminated by written notice from either party or by the employing entity within the Group making a payment in lieu of notice.

Directors & Executives	Commencement Date	Termination Notice
Tony Scotton	12 March 2009	6 Months
Geoff Richardson	12 March 2009	6 Months
Hanna Myllyoja	1 May 2009	6 Months
Andrew Jones	1 May 2009	6 Months
Brett Lenthall	1 May 2009	6 Months
Nathan Harper	1 May 2009	6 Months
Duncan Ward	16 July 2007	3 Months

Directors' Report (continued)

Remuneration details for the year ended 30 June 2009

2009	Short-Term			Post-Employment		Long-term		Share-based	Performance Related			
	Salary and fees ¹ \$'000	Cash bonus \$'000	Non-Monetary benefits \$'000	Other ² \$'000	Super-annuation \$'000	Retirement benefits \$'000	Incentive plans \$'000	Long Service Leave \$'000	Options \$'000	Total \$'000	Total %	Options %
Non-Executive Directors												
Phillip Anderson	98	-	-	-	-	-	-	-	-	98	-%	-%
Ian Payne ³	41	-	-	-	4	-	-	-	-	45	-%	-%
Judi Stack ³	41	-	-	-	4	-	-	-	-	45	-%	-%
Roger Amos ³	41	-	-	-	4	-	-	-	-	45	-%	-%
Executive Directors												
Craig Kennedy ⁶	188	-	128	44	5	-	-	-	29	394	8%	8%
Tony Scotton ⁴	29	-	-	-	-	-	-	-	-	29	-%	-%
Geoff Richardson ⁴	27	-	-	-	-	-	-	-	-	27	-%	-%
Executives												
Hanna Myllyoja ⁴	19	-	-	-	-	-	-	-	-	19	-%	-%
Andrew Jones ^{4,5}	-	-	-	-	-	-	-	-	-	-	-%	-%
Brett W Lenthall ⁴	8	-	-	-	-	-	-	-	-	8	-%	-%
Nathan Harper ⁴	10	-	-	-	-	-	-	-	-	10	-%	-%
Brian Parker ⁷	292	46	11	220	26	-	-	-	2	597	8%	-%
Iain Keddie ⁸	260	50	9	225	31	-	-	-	20	595	12%	3%
Duncan Ward	203	103	33	-	47	-	-	1	-	387	27%	-%
Andrew Moon ⁹	116	-	-	-	10	-	-	-	-	126	-%	-%
Russell Scott	106	-	-	-	10	-	-	-	-	116	-%	-%
Other												
Joe Kiernicki	156	38	-	-	14	-	-	2	-	210	18%	-%

¹ Salary and fees include annual leave and long service leave payments on termination

² Other represents termination payments

³ Messrs Ian Payne, Roger Amos and Ms Judi Stack resigned on 12 March 2009

⁴ Executives are remunerated by SAI Global Limited, the fees above are an apportionment of their time commitment to Espreon Limited.

⁵ The fees for Andrew Jones will commence 1 July 2009 ⁶ Mr Craig Kennedy resigned on 25

November 2008

⁷ Mr Brian Parker ceased employment on 31 May 2009

⁸ Mr Iain Keddie ceased employment on 30 April 2009

⁹ Messrs Andrew Moon and Russell Scott ceased employment on 2 January 2009

Directors' Report (continued)

2008	Short-Term			Post-Employment		Long-term		Share-based Payments	Performance Related			
	Salary and fees \$'000	Cash bonus \$'000	Non-Monetary benefits \$'000	Other \$'000	Super-annuation \$'000	Retirement benefits \$'000	Incentive plans \$'000	Long Service Leave \$'000	Options \$'000	Total \$'000	Total %	Options %
Non-Executive Directors												
Phillip Anderson	98	-	-	-	-	-	-	-	-	98	-%	-%
Barbara Moore	1	-	-	-	-	-	-	-	-	1	-%	-%
Ian Payne	55	-	-	-	5	-	-	-	-	60	-%	-%
Judi Stack	55	-	-	-	5	-	-	-	-	60	-%	-%
Roger Amos	55	-	-	-	5	-	-	-	-	60	-%	-%
Executive Director												
Craig Kennedy	333	165	55	-	17	-	-	8	234	812	49%	29%
Executives												
Brian Parker	266	40	11	-	24	-	-	6	44	391	21%	11%
Iain Keddie	260	60	11	-	23	-	-	1	34	389	24%	9%
Duncan Ward	213	30	22	-	45	-	-	-	-	310	10%	-%
Andrew Moon	196	10	47	-	14	-	-	2	52	321	19%	16%
Russell Scott	192	8	19	-	22	-	-	1	28	270	13%	10%
Other												
Jon Roscow	255	17	2	-	26	-	-	-	-	300	6%	-%

Directors' Report (continued)

Performance income as a proportion of total remuneration

Executives are entitled to be paid performance based bonuses based on set monetary amounts which do not exceed 100% of base package. All bonuses are reviewed to ensure they are market reflective. The Board sets bonuses to encourage achievement of specific goals. The Board reviews the performance bonuses to gauge their effectiveness against achievement of the set goals.

Options and rights issued as part of remuneration

Options

Options were issued to certain executives as part of their remuneration under the Company's Executive Option Plan.

Options were also issued under the EOP to Employees outside of Australia as part of the Company's objective to encourage employees to participate as equity owners in the Company and where share based plans are not cost effective for the Company to implement.

Options granted to Executives during the year are set out in the following table.

Name of Executive	Number Granted	Grant Date	Fair value of Option at Grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date
2009							
Brian Parker	200,000	28-Nov-08	0.1814	0.25	31-Dec-10	27-Feb-09	31-Dec-10
Iain Keddie	300,000	28-Nov-08	0.1814	0.25	31-Dec-10	27-Feb-09	31-Dec-10
2008							
Brian Parker	500,000	9-Aug-07	0.1823	0.65	23-Oct-10	23-Jul-09	23-Oct-10
Iain Keddie	500,000	9-Aug-07	0.1823	0.65	23-Oct-10	23-Jul-09	23-Oct-10
Andrew Moon	750,000	9-Aug-07	0.1823	0.65	23-Oct-10	23-Jul-09	23-Oct-10
Russell Scott	400,000	9-Aug-07	0.1823	0.65	23-Oct-10	23-Jul-09	23-Oct-10

Options Granted as part of remuneration

	Value of Options granted during the Year \$'000	Value of Options exercised during the year \$'000	Value of Options lapsed during the year \$'000	Remuneration consisting of options for the year %
Iain Keddie	54	75	-	9.1
Brian Parker	36	50	-	6.0

Further details of Options and rights, is disclosed in notes 27 and 28.

End of Remuneration Report disclosures subject to audit

Directors' Report (continued)

Options and Exercise of Options and Rights

At the date of this report, the unissued ordinary shares of Espreon Limited under option are as follows:

Grant date	Date of expiry	Exercise price	Number under Options
26-Sep-02	26-Sep-09	\$1.49	10,667
Total			10,667

During the year ended 30 June 2009, 875,000 ordinary shares of Espreon Limited were issued. 500,000 ordinary shares were issued under the Espreon Deferred Employee Share Plan as a consequence of the exercise of 500,000 options from the Espreon Executive Option Plan and 375,000 ordinary shares were issued under the Espreon Deferred Employee Share Plan as a consequence of the exercise of 375,000 share rights.

Due to the imminent de-listing of the Company, the Board does not intend to issue any more options or rights over Espreon shares to executives.

Meetings of Directors

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the year were:

	Board of Directors' Meetings		Audit & Risk Committee		Remuneration & Nomination Committee	
	Held / Eligible	Attended	Held / Eligible	Attended	Held / Eligible	Attended
Phillip Anderson	27	27	3	3	1	1
Tony Scotton	4	4	-	-	-	-
Geoff Richardson	4	4	-	-	-	-
Craig Kennedy	8	8	-	-	-	-
Ian Payne	23	22	3	1	-	-
Judi Stack	23	21	-	-	1	1
Roger Amos	23	23	3	3	-	-

The members of the Audit & Risk Committee were Roger Amos (Chairman), Phillip Anderson and Ian Payne. The members of the Remuneration and Nomination Committee were Judi Stack (Chairman) and Phillip Anderson.

On 12 March 2009, the Board of Directors was re-constituted and as a consequence it was deemed to be inappropriate to continue with the Audit & Risk Committee and Remuneration and Nomination Committee. Matters which would have otherwise been referred to and dealt with by either of these Committees are now dealt with by the Espreon Board.

Indemnification and insurance of Directors and Officers

During or since the end of the financial year, the Company has paid premiums to insure all Directors and officers of Espreon Limited against costs incurred in defending any legal proceedings arising out of their conduct as a Director of the Company, other than for conduct involving:

- a wilful breach of duty; or
- a contravention of Sections 232(5) or (6) of the Corporations Act,

as permitted by section 241A(3) of the Corporations Act.

Disclosure of the premium amount is prohibited by the insurance contract.

Directors' Report (continued)

Non-audit services


Non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of non-audit services provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services to Group entities during the year:

	2009	2008
	\$	\$
Tax compliance and advisory services	66,105	90,735
Revenue and growth risk services	-	308,000
Merger & Acquisition	38,390	-
Other services	3,870	5,750
Total	108,365	404,485

Auditor's independence declaration

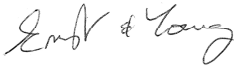
The Directors received the following declaration from the auditor of Espreon Limited.




Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of Espreon Limited

In relation to our audit of the financial report of Espreon Limited for the financial year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.


Ernst & Young


Daniel Cunningham
Partner
Sydney
18 August 2009

Liability limited by a scheme approved under Professional Standards Legislation

Directors' Report (continued)

Rounding of amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial report and the Directors' Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors.



Phillip Anderson
Chairman



Tony Scotton
Chief Executive Officer

Dated this 18th day of August 2009.

Income Statement

for the year ended 30 June 2009

	Notes	CONSOLIDATED		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Continuing operations					
Service fees		30,957	34,304	-	-
Authority fees recovered		69,497	73,423	-	-
Sales Revenue		100,454	107,727	-	-
Other revenue	4	443	726	18,858	-
Revenue		100,897	108,453	18,858	-
Cost of sales		(71,906)	(77,280)	-	-
Gross profit		28,991	31,173	18,858	-
Employee benefits expense	4	(15,559)	(16,407)	(1,282)	(1,667)
Occupancy expense		(1,906)	(1,662)	(5)	-
Telecommunications expense		(1,466)	(1,379)	(10)	(5)
Administrative expenses		(1,569)	(1,195)	(74)	(85)
Other expenses		(1,932)	(2,651)	(566)	(816)
Earnings / (loss) before interest, tax, depreciation, amortisation and costs associated with takeover offers		6,559	7,879	16,921	(2,573)
Costs associated with takeover offers		(2,191)	-	(2,191)	-
Earnings / (loss) before interest, tax, depreciation and amortisation		4,368	7,879	14,730	(2,573)
Depreciation and amortisation expense	4	(1,724)	(1,913)	-	-
Earnings / (loss) before interest and tax expense		2,644	5,966	14,730	(2,573)
Interest received		686	672	189	135
Fair value (loss) / gain on derivative instruments		(650)	250	(650)	250
Finance costs	4	(1,917)	(3,098)	(1,914)	(3,085)
Profit / (loss) from continuing operations before income tax expense		763	3,790	12,355	(5,273)
Income tax (expense) / credit	5	(223)	(909)	1,839	1,529
Profit / (loss) from continuing operations after income tax expense		540	2,881	14,194	(3,744)
Discontinued operations					
(Loss) / gain from discontinued operations after income tax	17	(19,667)	2,416	(28,481)	-
Net (loss) / profit for the year		(19,127)	5,297	(14,287)	(3,744)
Basic earnings per share (cents per share) from continuing operations	8	0.57	3.06		
Basic (loss) / earnings per share (cents per share)	8	(20.14)	5.62		
Diluted earnings per share (cents per share) from continuing operations	8	0.57	3.05		
Diluted (loss) / earnings per share (cents per share)	8	(20.14)	5.60		

The accompanying notes form part of these financial statements.

Balance Sheet

as at 30 June 2009

	Notes	CONSOLIDATED		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current assets					
Cash and cash equivalents	9	2,122	7,041	594	891
Trade and other receivables	10	12,107	17,317	19,257	26,681
Inventories		-	1,934	-	-
Other assets	16	1,539	1,714	15	132
Total current assets		15,768	28,006	19,866	27,704
Non-current assets					
Investments in subsidiaries	11	-	-	669	46,648
Property, plant and equipment	12	1,146	2,242	-	-
Intangible Assets - Goodwill	13	25,427	54,942	-	-
Other intangible assets	14	1,180	8,960	-	-
Deferred tax assets	5	1,653	1,708	745	351
Derivative assets	15	-	327	-	327
Other assets	16	-	12	-	-
Total non-current assets		29,406	68,191	1,414	47,326
Total assets		45,174	96,197	21,280	75,030
Current liabilities					
Trade and other payables	18	6,927	9,309	166	13,443
Interest-bearing liabilities	19	-	2,773	-	2,204
Income tax payable		689	629	668	62
Provisions	20	1,138	1,630	36	159
Other liabilities	21	3,135	3,989	1,013	933
Total current liabilities		11,889	18,330	1,883	16,801
Non-current liabilities					
Deferred tax liability	5	280	1,212	11	109
Interest-bearing liabilities	19	-	24,857	-	24,643
Provisions	20	417	532	4	16
Total non-current liabilities		697	26,601	15	24,768
Total liabilities		12,586	44,931	1,898	41,569
Net assets		32,588	51,266	19,382	33,461
Equity					
Contributed equity	22	57,383	57,087	57,383	57,087
Reserves	22	326	173	326	414
Accumulated losses	23	(25,121)	(5,994)	(38,327)	(24,040)
Total equity		32,588	51,266	19,382	33,461

The accompanying notes form part of these financial statements.

Cash Flow Statement

for the year ended 30 June 2009

	Notes	CONSOLIDATED		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash flows from operating activities					
Receipts from customers		127,066	154,448	-	-
Payments to suppliers and employees		(119,062)	(141,589)	(4,045)	(1,922)
Interest received		721	743	189	289
Interest paid		(1,605)	(3,014)	(1,575)	(2,870)
Income tax paid		(1,395)	(2,318)	(1,229)	(2,101)
Income tax refund		645	-	645	-
Net cash flows provided by/(used in) operating activities	25	6,370	8,270	(6,015)	(6,604)
Cash flows from investing activities					
Acquisition of property, plant and equipment		(582)	(1,059)	-	-
Acquisition of intangibles		(814)	(964)	-	-
Proceeds from sale of business		17,818	165	18,000	-
Proceeds from settlement of acquisition purchase price adjustment		-	1,046	-	1,046
Net cash flows provided by / (used in) investing activities		16,422	(812)	18,000	1,046
Cash flows from financing activities					
Proceeds from issue of shares		419	838	419	838
Payment for share buy back		(128)	-	(128)	-
(Payment) / proceeds from borrowings from controlled entity		-	-	(3,626)	13,145
Dividends from controlled entities		-	-	18,858	-
Repayment of borrowings		(27,881)	(7,942)	(27,511)	(7,083)
Payment to employee share plan trust on exercise of share right		(294)	(642)	(294)	(642)
Net cash flows (used in) / provided by financing activities		(27,884)	(7,746)	(12,282)	6,258
Net (decrease) / increase in cash and cash equivalents					
		(5,092)	(288)	(297)	700
Cash and cash equivalents at 1 July		7,041	7,470	891	191
Net foreign exchange differences		173	(141)	-	-
Cash and Cash Equivalents at 30 June	9	2,122	7,041	594	891

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2009

CONSOLIDATED	Contributed equity		Reserves		Accumulated losses \$'000	Total \$'000
	Issued capital \$'000	Treasury shares \$'000	Options Reserve \$'000	Foreign currency translation \$'000		
As at 1 July 2008	57,092	(5)	414	(241)	(5,994)	51,266
Currency translation differences	-	-	-	241	-	241
Total income and expense for the period recognised directly in equity	-	-	-	241	-	241
Profit for the year	-	-	-	-	(19,127)	(19,127)
Total income and expense for the period	-	-	-	241	(19,127)	(18,886)
Issue of share capital	419	-	-	-	-	419
Share buy back	(128)	-	-	-	-	(128)
Shares converted to ultimate parent securities	-	5	-	-	-	5
Payment to employee share plan on exercise of share rights	-	-	(294)	-	-	(294)
Options expense	-	-	206	-	-	206
As at 30 June 2009	57,383	-	326	-	(25,121)	32,588
As at 1 July 2007	56,254	(322)	965	38	(11,291)	45,644
Currency translation differences	-	-	-	(279)	-	(279)
Total income and expense for the period recognised directly in equity	-	-	-	(279)	-	(279)
Profit for the year	-	-	-	-	5,297	5,297
Total income and expense for the period	-	-	-	(279)	5,297	5,018
Issue of share capital	838	-	-	-	-	838
Treasury Share utilised on exercise of share rights option	-	317	(317)	-	-	-
Payment to employee share plan on exercise of share rights	-	-	(642)	-	-	(642)
Options expense	-	-	408	-	-	408
As at 30 June 2008	57,092	(5)	414	(241)	(5,994)	51,266

The accompanying notes form part of the financial statements

Statement of Changes in Equity

PARENT	Contributed equity Issued capital \$'000	Treasury shares \$'000	Reserves Options Reserve \$'000	Accumulated losses \$'000	Total \$'000
As at 1 July 2008	57,092	(5)	414	(24,040)	33,461
Loss for the year	-	-	-	(14,287)	(14,287)
Total income and expense for the period	-	-	-	(14,287)	(14,287)
Issue of share capital	419	-	-	-	419
Share buy back	(128)	-	-	-	(128)
Shares converted to ultimate parent securities	-	5	-	-	5
Payment to employee share plan on exercise of share rights	-	-	(294)	-	(294)
Options expense	-	-	206	-	206
As at 30 June 2009	57,383	-	326	(38,327)	19,382
As at 1 July 2007	56,254	(322)	965	(20,296)	36,601
Loss for the year	-	-	-	(3,744)	(3,744)
Total income and expense for the period	-	-	-	(3,744)	(3,744)
Issue of capital	838	-	-	-	838
Treasury Share utilised on exercise of share rights option	-	317	(317)	-	-
Payment to employee share plan on exercise of share rights	-	-	(642)	-	(642)
Options expense	-	-	408	-	408
As at 30 June 2008	57,092	(5)	414	(24,040)	33,461

The accompanying notes form part of the financial statements

Notes to the Financial Statements

1 Summary of significant accounting policies

Corporate information

The financial report of Espreon Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of Directors on 18 August 2009. Espreon Limited is a company limited by shares incorporated and domiciled in Australia whose shares can be publicly traded on the Australian Securities Exchange until 22 September 2009.

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001. The financial report has also been prepared on a historical cost basis, with the exception of derivative instruments which are recorded at fair value.

The financial report is presented in Australian dollars and all values are rounded off to the nearest thousand dollars (\$000) under the option available to Espreon under Australian Securities & Investments Commission (ASIC) Class Order 98/0100. Espreon is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

New/revised standards and interpretations applicable for the year commencing 1 July 2008 have been reviewed and it was determined that changes were not required to the existing accounting policies adopted by Espreon Limited. Certain Australian Accounting Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by Espreon Limited for the current reporting period. The Directors have not yet assessed the impact of these new or amended standards (to the extent relevant to Espreon Limited) and interpretations.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Espreon Limited (Parent Entity) and its subsidiaries as at 30 June 2009. The financial statements of subsidiaries and special purpose entities are prepared for the same reporting year as the Parent Entity, using consistent accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which Espreon Limited had control.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Minority interest in the results and equity of controlled entities where the Group owns less than 100% of the issued capital, are shown separately in the consolidated income statement and balance sheet.

(d) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

Notes to the Financial Statements (continued)

1 Summary of significant accounting policies (continued)

(e) Foreign currency translation

The functional and presentational currency of Espreon Limited and its Australian subsidiaries is Australian dollars (A\$). During the year the Company's offshore operations were assessed as having functional currencies equal to the currencies of the country in which they operate. The functional currencies of the overseas subsidiaries which the Group sold during the year were:

Billback Systems UK Limited	British Pounds (£)
Billback LLC	United States Dollars (US\$)

Transactions in foreign currencies were initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Balance Sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. As at the reporting date, the assets and liabilities of foreign entities are translated into Australian Dollars at the rate of exchange ruling at the Balance Sheet date and the Income Statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the re-translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

Due to the sales of Billback Systems on 2 January 2009, the Group no longer has any foreign currency transactions.

(f) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(h) Inventories

The Group no longer holds inventory of finished goods and of work in progress associated with the hardware product sold by Billback Systems; as the subsidiary was sold during in January 2009.

Inventories were valued at the lower of cost and net realisable value. Costs incurred in bringing finished goods and work-in-progress to its present location and conditions include cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(i) Derivative financial instruments

The Group used derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments were initially recognised at fair value on the date on which a derivative contract was entered into and subsequently remeasured to fair value.

Notes to the Financial Statements (continued)

1 Summary of significant accounting policies (continued)

These derivatives did not qualify for hedge accounting and changes in fair value are recognised immediately in profit and loss in other revenue and expenses. The derivatives were carried as assets when fair value is positive and as liabilities when the fair value is negative.

(j) Investments in subsidiaries

Investments in subsidiaries are measured at cost and are tested for impairment on an annual basis.

(k) Property, plant and equipment

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The depreciation rates used for each class of assets in 2009 and 2008 are as follows:

Plant and equipment 12% - 24%
Leased plant and equipment 10% - 20%

Leasehold improvements

Leasehold improvements are stated at cost less accumulated amortisation and any impairment in value. Amortisation is calculated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(l) Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. For operating leases with periodic reviews of lease payments based on a fixed percentage increase where lease payments can be determined on a straight line basis over the term of the lease, the average lease payment over the term of the operating lease is recognised as an expense in the Income Statement on a straight-line basis over the lease term. A corresponding provision is taken up representing the cumulative difference between the average lease payments and the actual lease payments.

Notes to the Financial Statements (continued)

1 Summary of significant accounting policies (continued)

(m) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(n) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combinations' synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

(o) Intangible assets

Acquired both separately and from a business combination.

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets. The useful lives of these intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the Income Statement.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of intangibles with indefinite useful lives annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research & Development Costs

Research costs are expensed as incurred.

Costs associated with software development generated internally are capitalised as the future benefits are expected to exceed those costs. The costs are amortised on a straight line basis over 3 years.

Notes to the Financial Statements (continued)

1 Summary of significant accounting policies (continued)

A summary of the policies applied to the Group's finite life intangible assets is as follows:

	Software development costs	Core hardware & software technologies	Customer contracts
Useful lives	3 years	10 years	10 years
Method used	Straight line	Straight line	Straight line
Internally generated / acquired	Internally generated	Acquired	Acquired
Impairment test/ recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment	Annually and where an indicator of impairment exists	Annually and where an indicator of impairment exists

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is de-recognised.

Core hardware and software technologies, along with Customer contract intangible assets are no longer applicable due to the sale of businesses on 2 January 2009.

(p) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received whether or not billed to the Group. Trade liabilities are normally settled on 30 day terms. Transactions with other non-trade vendors including related parties are made under normal terms and conditions.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(r) Borrowing costs

Borrowing costs are recognised as an expense when incurred. Establishment fees paid for the raising of financial liabilities are netted off against the loan and amortised over the life of the loan using the effective interest rate method.

Due to the repayment of the Group's loan, all remaining borrowing costs associated with the loan were accelerated and recognised in the profit and loss during the financial year.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Notes to the Financial Statements (continued)

1 Summary of significant accounting policies (continued)

(t) Share-based payment transactions

The Group provides benefits to certain employees in the form of share-based payment transactions, whereby employees render services in exchange for options or rights over shares ('equity-settled transactions').

The Espreon Executive Option Plan is the only plan in operation at 30 June 2009 to provide these benefits. All previous plans ceased operation during 2008 although options and rights issued under these plans remain outstanding at 30 June 2009.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black-Scholes model or an equivalent valuation method based on the term, the risk free interest rate, volatility of the share price and discount for likelihood of cessation of employment.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the number of options and rights that, in the opinion of the Directors, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for options and rights that do not ultimately vest, except for those where vesting is conditional upon a market condition.

Where the terms of an equity-settled transaction are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled (due to termination of the employee contract), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect, if any, of outstanding options and rights is reflected as additional share dilution in the computation of earnings per share.

(u) Revenue

Software and hardware sales

Prior to the sale of Billback Systems on 2 January 2009, software and hardware sales made directly by the Group were sold together. Revenue was recognised progressively on a percentage completion basis as the Group transferred to the buyer the significant risks and rewards of ownership of the software licence and hardware.

Rendering of services

The revenue for the rendering of services is recognised when it can be estimated reliably and by reference to the stage of completion of the transaction at the reporting date. All of the following conditions should be satisfied to prove that the transaction can be reliably estimated:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the entity;
- (c) the stage of completion of the transaction at the reporting date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Notes to the Financial Statements (continued)

1 Summary of significant accounting policies (continued)

Maintenance revenue

Prior to the sale of Billback Systems on 2 January 2009, maintenance revenue was recognised over the period the services were provided. Any funds received in advance were held and deferred until the services are provided.

Rental Income

Prior to the sale of Billback Systems on 2 January 2009, income from rental agreements entered into directly with customers was recognised as an operating lease income in the Income Statement on a straight-line basis over the rental term. Contingent rentals were recognised in the period they are earned.

Interest revenue

Interest is recognised as it accrues, using the effective interest method, and applied to the net carrying value of the asset.

Dividends

Dividends are recognised when the Group's right to receive payment is established.

(v) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except when the deferred income tax liability arises from:

- the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- the taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except when:

- the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- when the deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Notes to the Financial Statements (continued)

1 Summary of significant accounting policies (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Australian tax consolidation

Espreon Limited and its wholly-owned Australian entities have elected to form a tax consolidated group. The head entity (Espreon Limited) and its controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated current tax expense and other deferred tax assets are allocated to the members of the tax consolidated group. The Group uses a group allocation method for this purpose where the allocated current tax payable, current tax loss, deferred tax assets and other tax credits for each member of the tax consolidated group is determined as if the Company is a stand-alone taxpayer but modified as necessary to recognise membership of a tax consolidated group. In addition to its own current and deferred tax amounts, Espreon Limited also recognises the current tax liabilities (or assets) and deferred tax assets arising from unused tax credits assumed from controlled entities in the tax consolidated group. Recognition of amounts allocated to members of the tax consolidated group has regard to the tax consolidated groups future tax profits.

Goods and Services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. The number of ordinary shares outstanding includes any shares granted under the employee share incentive plan which have vested.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of dilutive options and any shares granted under the employee share incentive plan). The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(x) Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Notes to the Financial Statements (continued)

1 Summary of significant accounting policies (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in note 13.

Share-based payment transactions

The Group measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using the Black-Scholes model based on the term, the risk free interest rate, volatility of the share price and discount for likely cessation of employment.

Revenue recognition

The Group recognises certain revenue by reference to the stage of completion of a contract. The determination of the stage of completion involves judgement by management with each contract being assessed individually. Also the timing and amounts of invoices under each contract may vary from the revenue recognised leading to an accrual or deferral of income. Customers may have contractual rights to vary contracts and a judgement is made for each contract on the potential for variation when determining the extent to which revenue is recognised.

Taxation

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Make good provisions

Provision is made for the anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with dismantling of fittings and refurbishment of the premises to the condition required under the relevant lease. Further, an assumption is made as to the likely termination date of lease having regard to any options to extend the lease. These future cost estimates are recorded at their present value.

Notes to the Financial Statements (continued)

2 Financial Risk Management

The Group's principal financial instruments comprise receivables, payables, bank loans, cash and short-term deposits.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. Senior management, in conjunction with the Board, reviews and agrees policies and / or strategies for managing each of these risks. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate risk. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk.

The Group no longer has any exposure to foreign currency risk following the disposal of Billback Systems on 2 January 2009. Furthermore, the Group is no longer exposed to movements in derivative instruments following the repayment of this instrument in January 2009.

(a) Foreign currency risk

As a result of the sale of the Billback Systems on 2 January 2009 the Group no longer have any overseas investment operations. The Group's balance sheet is no longer affected by movements in foreign exchange rates.

None of the Group's sales revenue is denominated in currencies other than the reporting currency of the Group (2008: 7%), subsequent to the disposal of Billback Systems on 2 January 2009.

The Parent's balance sheet is not affected by movements in foreign exchange rates as the Parent does not have any transactions denominated in foreign currency.

At 30 June 2009, the Group had no exposure to foreign currencies:

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Cash and cash equivalents	-	589	-	-
Trade and other receivables	-	1,947	-	-
Total financial assets	-	2,536	-	-
Financial liabilities				
Trade creditors	-	66	-	-
Total financial liabilities	-	66	-	-
Net exposure	-	2,470	-	-

The following sensitivity is based on the foreign currency risk exposure in existence at the balance sheet date. At 30 June 2009, had the Australian Dollar moved, with all other variables held constant, post tax profit and equity would not have been affected as illustrated in the table below.

Management has assessed the closing net position of each entities assets in the table below to highlight the potential impact of currency movements on the financial assets and liabilities of the Group. There was no material impacts identified based on the parameters used.

Notes to the Financial Statements (continued)

2 Financial Risk Management (continued)

Judgements of reasonably possible movements:	Post tax profit		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Consolidated				
AUD/USD +5%	-	(1)	-	-
AUD/USD -5%	-	1	-	-
USD/CAD +5%	-	(10)	-	-
USD/CAD -5%	-	10	-	-
GBP/EUR +5%	-	(5)	-	-
GBP/EUR -5%	-	5	-	-

(b) Interest rate risk

The Group's exposure to interest rate risk arises predominantly from assets bearing variable interest rates. The Group significantly reduced its risk to interest bearing liabilities during the financial year. Due to falling interest rates management decided to buy-out of its derivative financial instruments on 17 January 2009 (Refer to note 15) and the Group's loan with the Commonwealth Bank was repaid in full on the 29 June 2009 (Refer to note 19).

In terms of interest rate risk on cash and term deposits the Group seeks to maximise the interest earned on these funds balanced against the length of investment and the impact on liquidity.

At 30 June 2009, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Financial assets				
Cash and cash equivalents	2,115	6,736	593	890
Financial liabilities				
Interest bearing liabilities	-	8,242	-	8,242
Net exposure	2,115	(1,506)	593	(7,352)

Interest on the Group's other loans and finance leases were at fixed rates over the terms of the loans and leases. Due to the disposal of Billback Systems and the repayment of the finance lease the effective fixed rate for the other loans and finance lease in nil% (2008: 9.75% and 8.60% respectively).

The Group periodically analyses its interest rate exposure and consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates.

Notes to the Financial Statements (continued)

2 Financial Risk Management (continued)

The following sensitivity analysis is based on the interest rate risk exposure at the balance sheet date.

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post tax profit		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Consolidated (excluding derivatives)				
+0.5% (50 basis points)	7	(5)	-	-
-0.5% (50 basis points)	(7)	5	-	-
Parent (excluding derivatives)				
+0.5% (50 basis points)	2	(26)	-	-
-0.5% (50 basis points)	(2)	26	-	-
Consolidated and Parent (derivatives)				
+0.5% (50 basis points)	-	85	-	-
-0.5% (50 basis points)	-	(78)	-	-

The movements in profit are due to higher/lower interest costs from variable rate debt, movements in the fair value of hedges that do not qualify for hedge accounting, and cash balances.

(c) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, and derivative instruments. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group trades with recognised credit worthy third parties, and as such collateral is not requested nor is it the Group's policy to securities its trade and other receivables. Customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is limited.

There are no significant concentrations of credit risk within the Group. The Company minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers.

Notes to the Financial Statements (continued)

2 Financial Risk Management (continued)

(d) Liquidity risk

The Group manages liquidity risk by maintaining a significant level of cash & cash equivalents and through the use of committed credit facilities.

At 30 June 2009 the Group had repaid all of its bank, finance leases and other loans resulting in no interest bearing liabilities (2008: 16.0% mature in less than one year).

The table below reflects the remaining contractual maturities of the Group's and Parent Entity's interest bearing liabilities:

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
6 months or less	-	1,668	-	1,306
6 - 12 months	-	3,781	-	3,529
1 - 2 years	-	7,674	-	7,483
2 - 3 years	-	20,891	-	20,854
3 - 4 years	-	-	-	-
Total	-	34,014	-	33,172

Maturity analysis of financial assets and liabilities.

The risk implied from the values shown in the tables below, reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant, equipment and investments in working capital e.g. inventories and trade receivables. These assets are considered in the Group's overall liquidity risk.

Cash flows which depend on variable interest rates have been projected at the variable interest rate prevailing at 30 June 2009 of 2.9% (2008: 7.74%). There are no cash flows at 30 June 2009 that are denominated in foreign currencies have been projected in Australian dollars. The exchange rates used to convert US dollar and UK Sterling cash flows to Australian dollars were nil (2008: US\$0.9615 and UK£ 0.4821 respectively)

CONSOLIDATED Year ended 30 June 2009	≤ 6 Months \$'000	6 - 12 Months \$'000	1 - 2 Years \$'000	2 - 3 Years \$'000	> 3 Years \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	2,122	-	-	-	-	2,122
Trade Debtors	12,364	-	-	-	-	12,364
Total financial assets	14,486	-	-	-	-	14,486
Financial liabilities						
Trade creditors	1,024	-	-	-	-	1,024
Total financial liabilities	1,024	-	-	-	-	1,024
Net maturity	13,462	-	-	-	-	13,462

Notes to the Financial Statements (continued)

2 Financial Risk Management (continued)

CONSOLIDATED Year ended 30 June 2008	≤ 6 Months \$'000	6 - 12 Months \$'000	1 - 2 Years \$'000	2 - 3 Years \$'000	> 3 Years \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	7,041	-	-	-	-	7,041
Trade Debtors	17,205	-	-	-	-	17,205
Derivatives	83	70	84	42	-	279
Total financial assets	24,329	70	84	42	-	24,525
Financial liabilities						
Trade creditors	6,036	-	-	-	-	6,036
Bank loan	1,306	3,529	7,483	20,854	-	33,172
Other loans	304	213	191	37	-	745
Lease liability	58	39	-	-	-	97
Total financial liabilities	7,704	3,781	7,674	20,891	-	40,050
Net maturity	16,625	(3,711)	(7,590)	(20,849)	-	(15,525)

PARENT Year ended 30 June 2009	≤ 6 Months \$'000	6 - 12 Months \$'000	1 - 2 Years \$'000	2 - 3 Years \$'000	> 3 Years \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	594	-	-	-	-	594
Total financial assets	594	-	-	-	-	594
Financial liabilities						
Trade creditors	64	-	-	-	-	64
Total financial liabilities	64	-	-	-	-	64
Net maturity	530	-	-	-	-	530

PARENT Year ended 30 June 2008	≤ 6 Months \$'000	6 - 12 Months \$'000	1 - 2 Years \$'000	2 - 3 Years \$'000	> 3 Years \$'000	Total \$'000
Financial assets						
Cash and cash equivalents	891	-	-	-	-	891
Derivatives	83	70	84	42	-	279
Total financial assets	974	70	84	42	-	1,170
Financial liabilities						
Trade creditors	32	-	-	-	-	32
Bank loan	1,306	3,529	7,483	20,854	-	33,172
Total financial liabilities	1,338	3,529	7,483	20,854	-	33,204
Net maturity	(364)	(3,459)	(7,399)	(20,812)	-	(32,034)

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow. Group and divisional cash flows are reviewed on a weekly basis and include a two month forecast.

(e) Fair values

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in applicable notes.

Notes to the Financial Statements (continued)

3 Segment reporting

	Continuing Operations \$'000	Discontinued Operations \$'000	Total Operations \$'000
Year ended 30 June 2009			
Revenue			
External sales	100,454	13,809	114,263
Total revenue	100,454	13,809	114,263
Management fees – discontinued operations	443	-	443
Total consolidated revenue	100,897	13,809	114,706
Result			
Segment results before interest and impairment	4,392	1,562	5,954
Management fees – discontinued operations	443	(443)	-
Costs associated with takeover offers	(2,191)	-	(2,191)
Loss on disposal of operations	-	(20,331)	(20,331)
Costs of disposal	-	(502)	(502)
Earnings / (loss) before interest and tax expense	2,644	(19,714)	(17,070)
Interest received	686	35	721
Fair value loss on derivative instruments	(650)	-	(650)
Finance costs	(1,917)	(27)	(1,944)
Profit / (loss) before income tax expense	763	(19,706)	(18,943)
Income tax expense	(223)	39	(184)
Net profit / (loss) for the year	540	(19,667)	(19,127)
Assets and liabilities			
Total assets	45,174	-	45,174
Total liabilities	(12,586)	-	(12,586)
Net assets	32,588	-	32,588
Other segment information			
Capital expenditure	1,172	225	1,396
Depreciation	424	142	566
Amortisation	1,300	673	1,973
Total depreciation & amortisation	1,724	815	2,539
Cash flow information			
Net cash flow from operating activities	3,994	2,376	6,370
Net cash flow from investing activities	16,646	(224)	16,422
Net cash flow from financing activities	(24,066)	(3,818)	(27,884)

Notes to the Financial Statements (continued)

3 Segment Reporting (continued)

	Continuing Operations \$'000	Discontinued Operations \$'000	Total Operations \$'000
Year ended 30 June 2008			
Revenue			
External sales	107,727	30,519	138,246
Total revenue	107,727	30,519	138,426
Management fees – discontinued operations	726	-	726
Total consolidated revenue	108,453	30,519	138,972
Result			
Segment results before interest			
Management fees – discontinued operations	726	(726)	-
Earnings / (loss) before interest and tax expense	5,966	3,490	9,456
Interest received	672	71	743
Fair value gain on derivative instruments	250	-	250
Finance costs	(3,098)	(131)	(3,229)
Profit / (loss) before income tax expense	3,790	3,430	7,220
Income tax expense	(909)	(1,014)	(1,923)
Net profit / (loss) for the year	2,881	2,416	5,297
Assets and liabilities			
Total assets	49,884	47,218	97,102
Total liabilities	(39,273)	(6,563)	(45,836)
Net assets	10,611	40,655	51,266
Other segment information			
Capital expenditure	1,579	444	2,023
Depreciation	446	328	774
Amortisation	1,467	1,291	2,758
Total depreciation & amortisation	1,913	1,619	3,532
Cash flow information			
Net cash flow from operating activities	3,646	4,624	8,270
Net cash flow from investing activities	(368)	(444)	(812)
Net cash flow from financing activities	(2,061)	(5,685)	(7,746)

Notes to the Financial Statements (continued)

3 Segment Reporting (continued)

Until 2 January 2009 the Company operated three business segments.

- **Property Services** provides manual logistics services mainly in the area of property transactions, ie: property settlements, stamping and registration of documents, property enquiries and strata reports. In addition, this business provides online searches and reports mainly from state governments' databases, such as land titles searches and company extracts, whereby the services are ordered and the search results or reports are delivered via the internet.
- **Corporate Services** provides company registrations, trust formations including DIY self managed superannuation funds, and related corporate registry services for the accounting, financial planning and legal professions.
- **Billback Systems** develops, supplies, implements and supports expense management and cost recovery systems for the professional services sectors.

On 27 November 2008, the Company announced the sale of the Corporate Services and Billback Systems businesses to Reckon Limited for gross sales proceeds of \$18 million. On 2 January 2009, the Company completed the sales of these businesses, further details of which are included in note 17 to these financial statements.

At 30 June 2009, there is no secondary segment information as the whole business operated within one geographical location.

Notes to the Financial Statements (continued)

4 Revenue and Expenses

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Continuing operations				
Other revenue				
Dividends	-	-	18,858	-
Management fees from discontinued operations	443	726	-	-
Other revenue	443	726	18,858	-
Expenses				
Finance costs				
Bank loan and other financial institutions	1,900	3,070	1,900	3,068
Finance charges – lease liability	3	11	-	-
Other loans	14	17	14	17
Total finance costs	1,917	3,098	1,914	3,085
Depreciation of non-current assets				
Leasehold improvements	409	486	-	-
Plant and equipment	406	446	-	-
Leased plant and equipment	74	74	-	-
Total depreciation	889	1,006	-	-
Amortisation of non-current assets				
Purchased software and intangibles	835	907	-	-
Total amortisation	835	907	-	-
Total depreciation and amortisation	1,724	1,913	-	-
Employee benefits				
Wages and salaries	13,246	13,995	1,040	1,247
Defined contribution superannuation	1,088	1,103	45	62
Share-based payments	51	312	35	278
Other employee benefits expense	1,174	997	162	80
Total employee benefits expense	15,559	16,407	1,282	1,667
Other Expenses				
Bad and doubtful debts - Trade debtors	395	8	-	-
Rental expense on operating lease - Minimum lease payments	1,768	1,405	59	21
Net (gain)/loss on disposal of non-current assets - Plant and equipment	(1)	(1)	-	-

Notes to the Financial Statements (continued)

5 Income tax

Major components of income tax expense for the year:

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Income statement				
<i>Current income tax</i>				
Current income tax charge / (benefit)	1,345	2,337	(1,168)	(1,733)
Adjustments in respect of current income tax of previous years	(339)	(533)	(179)	94
<i>Deferred income tax</i>				
Adjustments in respect of deferred tax of previous years	(17)	300	81	38
Relating to the origination and reversal of temporary differences	(805)	(181)	(573)	72
Income tax expense/(benefit) reported in income statement	184	1,923	(1,839)	(1,529)

A reconciliation of income tax expenses applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2009 and 2008 is as follows:

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Numerical reconciliation between aggregate tax expense recognised in the income tax statement and tax expense calculated per the statutory income tax rate				
Accounting profit/(loss) before tax from continuing operations	763	3,790	12,355	(5,273)
(Loss)/profit from discontinued operations	(19,706)	3,430	(28,481)	-
Accounting (loss) / profit before income tax	(18,943)	7,220	(16,126)	(5,273)
At the statutory income tax rate of 30% (2008: 30%)	(5,683)	2,166	(4,838)	(1,582)
Expenditure not allowable for income tax purposes	201	160	166	113
Payment made in respect of the Share plan	(88)	(193)	(88)	(193)
Adjustments in respect of current income tax of previous years:	(339)	(533)	(179)	94
Adjustments in respect of deferred tax of previous years:				
Accelerated amortisation	-	237	-	-
Prepayments	-	39	-	39
Receivables	-	-	-	-
Employee entitlements	(17)	24	81	-
Dividends received	-	-	(5,657)	-
Loss on sale of businesses	6,100	-	8,394	-
Other	10	23	282	-
Income tax expense/(benefit)	184	1,923	(1,839)	(1,529)
Aggregate income tax is attributable to:				
Continuing operations	223	909	(1,839)	(1,529)
Discontinued operations	(39)	1,014	-	-
	184	1,923	(1,839)	(1,529)

Notes to the Financial Statements (continued)

5 Income tax (continued)

Deferred Income Tax

Deferred income tax at 30 June 2009 relates to the following:

	Balance Sheet		Income Statement	
	2009	2008	2009	2008
CONSOLIDATED	\$'000	\$'000	\$'000	\$'000
<i>Deferred income tax liabilities</i>				
Accelerated amortisation for tax purposes	268	1,071	(85)	(13)
Prepayments	-	2	(2)	2
Derivative	-	98	(98)	98
Receivables	12	41	(3)	(175)
Gross deferred income tax liabilities	280	1,212		
<i>Deferred income tax assets</i>				
Deferred revenue	5	228	2	(228)
Interest bearing liabilities	-	206	-	240
Provision for accruals	370	351	(100)	(5)
Provision for doubtful debts	144	115	(47)	59
Provisions for employee entitlements	322	437	32	28
Provision for make good costs	144	88	(68)	-
Provision for inventory obsolescence	-	24	-	14
Share issue expenses reported in equity	80	161	81	80
Costs associated with takeover offers	556	-	(556)	-
Other	32	98	61	19
Gross deferred income tax assets	1,653	1,708		
Deferred tax (income)/expense			(783)	119
	Balance Sheet		Income Statement	
	2009	2008	2009	2008
PARENT	\$'000	\$'000	\$'000	\$'000
<i>Deferred income tax liabilities</i>				
Derivative	-	98	(98)	98
Receivables	11	11	-	11
Gross deferred income tax liabilities	11	109		
<i>Deferred income tax assets</i>				
Provision for accruals	97	138	41	(78)
Provisions for employee entitlements	12	51	39	(12)
Share issue expenses reported in equity	80	161	81	80
Costs associated with takeover offers	556	-	(556)	-
Other	-	1	1	11
Gross deferred income tax assets	745	351		
Deferred tax (income)/expense			(492)	110

The Espreon Group has no unrecognised deferred tax assets from temporary differences nor any further tax losses arising in Australia (2008: \$nil) that are available indefinitely for offset against future taxable profits of companies.

At 30 June 2009, there is no recognised or unrecognised deferred income tax liability (2008: \$nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, as the Group has no liability for additional taxation should such amounts be remitted.

Notes to the Financial Statements (continued)

5 Income tax (continued)

Tax consolidation

Espreon Limited and its wholly-owned Australian entities are a tax consolidated group. Espreon Limited is the head entity of the tax consolidated group. The accounting policy in relation to this legislation is set out in note 1. The members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its income tax obligations. No amounts have been recognised in the financial statements in respect of this agreement on the bases that the possibility of default is remote.

Members of the tax consolidated group have entered into a tax funding agreement under which the funding amounts are based on the amounts of current tax expense allocated to the subsidiary and recognised by it in accordance with the accounting policy. The funding amounts are recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group Head Company. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The funding amounts are recognised as current intercompany receivables or payables.

Espreon Limited has recognised a net increase in subsidiary intercompany accounts of \$2,359,000 (2008: \$2,999,000) and an equivalent increase in income tax payable as result of tax funding adjustments.

Tax accounting for business combinations

Espreon has used the "available for use tax base" in relation to intangibles whose amortisation is not tax deductible. This resulted in the recognition of a deferred tax liability amounting to \$1,323,300 on the acquisition of Billback Systems on 15 September 2005; which is being unwound over the useful life of the asset, or until such time as it is sold.

Billback Systems was sold on 2 January 2009 as described in note 17.

The balance of this deferred tax liability as at 2 January 2009 was \$892,500 (30 June 2008: \$958,000). All other tax bases have been determined in accordance with their fair values and will be reset in accordance with tax consolidation practice.

6 Auditor's remuneration

The auditor of Espreon Limited for 2008 and 2009 was Ernst & Young.

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Remuneration of the auditor of the Parent Entity and the economic entity for:</i>				
Auditing or reviewing the financial report	194,950	236,900	14,000	16,000
Other services	108,365	404,485	-	-
Total remuneration of auditor	303,315	641,385	14,000	16,000
	2009	2008	2009	2008
Other Services Comprise:	\$	\$	\$	\$
Taxation compliance and advisory services	66,105	90,735	-	-
Revenue and growth risk services	-	308,000	-	-
Merger & acquisition	38,390	-	-	-
Other services	3,870	5,750	-	-
Total	108,365	404,485	-	-

Notes to the Financial Statements (continued)

7 Dividends paid and proposed

No dividend has been declared by the Directors.

8 Earnings per share

The income and share data used in the calculation of basic and diluted earnings per share are as follows:

(a) Earnings used in calculating earnings per share

	CONSOLIDATED	
	2009 \$'000	2008 \$'000
<i>For basic earnings per share</i>		
Net (loss) / profit attributable to equity holders of the Parent	(19,127)	5,297
<i>For diluted earnings per share</i>		
Net (loss) / profit attributable to ordinary shareholders	(19,127)	5,297

(b) Weighted average number of shares

	CONSOLIDATED	
	2009 '000	2008 '000
Weighted average number of ordinary shares for basic earnings per share	94,954	94,184
<i>Effect of dilution:</i>		
Share options	-	463
Weighted average number of ordinary shares adjusted for the effect of dilution	94,954	94,647

(c) Earnings per share

Basic (loss) / earnings per share (cents per share)	(20.14)	5.62
Diluted (loss) / earnings per share (cents per share)	(20.14)	5.60
Continued operations - Basic earnings per share (cents per share)	0.57	3.06
Continued operations - Diluted earnings per share (cents per share)	0.57	3.05
Discontinued operations - Basic (loss) / earnings per share (cents per share)	(20.71)	2.56
Discontinued operations - Diluted (loss) / earnings per share (cents per share)	(20.71)	2.55

Share options are not dilutive as remaining options of 10,667 have a weighted average exercise price of \$1.49. This price exceeds the volume weighted average price for the year ending 30 June 2009.

Notes to the Financial Statements (continued)

9 Cash and cash equivalents

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash on hand	7	8	1	1
Cash at bank	2,115	6,899	593	890
Deposits at call	-	134	-	-
	2,122	7,041	594	891

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For the purposes of the Cash Flow Statement, cash and cash equivalents are as stated above.

Client Trust Accounts (not recorded in the Balance Sheet)

In addition to the cash balance included in the balance sheet and cash flow statement reported above; the Group operates trust bank accounts for the specific purpose of facilitating the settlement of client transactions. Clients deposit funds into these accounts from which funds are subsequently drawn in accordance with contractual arrangements with its clients.

The balance of funds in these accounts represent client funds, the direction and control of which is based on client instructions. Consequently, the amounts are not included as part of the Group's cash balance within the balance sheet and cash flow statement.

The balance of the Trust accounts at 30 June 2009 is \$10,331,000 (2008: \$11,516,000).

Notes to the Financial Statements (continued)

10 Trade and other receivables

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Trade debtors	12,364	17,205	-	-
Allowance for impairment loss (a)	(481)	(490)	-	-
	11,883	16,715	-	-
Interest receivable	47	45	38	36
Amount receivable from related parties	-	-	19,219	26,645
Other debtors	177	557	-	-
	12,107	17,317	19,257	26,681

(a) Allowance for impairment

Trade debtors are non-interest bearing and are generally on 30-90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$395,000 (2008: \$61,000 gain) has been recognised by the Group.

Movements in the allowance for impairment loss were as follows:

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
At 1 July	(490)	(653)	-	-
Charge for the year	(406)	(382)	-	-
Amounts written off	318	63	-	-
Amount recovered during the year	21	-	-	-
Disposal – discontinued operations	45	65	-	-
Unused amount reversed	31	405	-	-
Exchange differences	-	12	-	-
At 30 June	(481)	(490)	-	-

At 30 June, the ageing analysis of trade receivables is as follows:

	Total	0-30	0-30	31-60	31-60	61-90	61-90	+91	+91
		days	days	days	days	days	days	days	days
		PDNI*	CI*	PDNI*	CI*	PDNI*	CI*	PDNI*	CI*
2009 Consolidated	12,364	9,786	48	1,599	35	495	40	3	358
2008 Consolidated	17,205	12,332	-	2,779	8	1,165	5	439	477

* Past due and not impaired (PDNI)
Considered impaired (CI)

The other balances within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other balances, it is expected that these amounts will be received when due.

Notes to the Financial Statements (continued)

10 Trade and other receivables (continued)

(b) Related party receivables

Amounts receivable from wholly owned entities are non-interest bearing and repayable on demand. Refer to note 26 for details in regards to related party transactions.

(c) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security. Refer to note 2 for more information on the financial risk management policy of the Group.

(d) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 2.

11 Investments in subsidiaries

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-current				
Shares in controlled entities				
Espreon Property Services Pty Limited	-	-	669	669
Espreon Corporate Services Pty Limited	-	-	-	16,317
Recount Expense Management Systems Pty Limited	-	-	-	44,662
Write down of investment in Recount Expense Management Systems Pty Limited	-	-	-	(15,000)
	-	-	669	46,648

On 27 November 2008, the Company entered into a sale agreement with Reckon Limited to dispose of the Corporate Services and Billback Systems businesses of the Group. The disposal was completed by 2 January 2009, on which date control of the businesses passed to Reckon Limited.

Notes to the Financial Statements (continued)

12 Property, plant and equipment

CONSOLIDATED								
	Leasehold improvement		Plant and equipment		Plant and equipment under lease		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at 1 July net of accumulated depreciation and impairment	895	764	1,211	1,534	136	210	2,242	2,508
Additions	246	656	224	480	-	-	470	1,136
Additions - discontinued operations	70	-	122	-	-	-	192	-
Depreciation expense	(409)	(513)	(406)	(792)	(74)	(74)	(889)	(1,379)
Depreciation expense - discontinued operations	(23)	-	(147)	-	-	-	(170)	-
Reclassifications	81	(10)	(81)	10	-	-	-	-
Disposal - discontinued operations	(147)	-	(581)	-	-	-	(728)	-
Foreign exchange	(15)	(2)	44	(21)	-	-	29	(23)
Net carrying amount at 30 June	698	895	386	1,211	62	136	1,146	2,242

No property, plant and equipment assets are held by the Parent Entity.

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

CONSOLIDATED				
	Leasehold improvement \$'000	Plant and equipment \$'000	Plant and equipment under lease \$'000	Total \$'000
Cost or fair value	2,103	1,076	445	3,624
Accumulated depreciation and impairment	(1,405)	(690)	(383)	(2,478)
Net carrying amount at 30 June 2009	698	386	62	1,146
Cost or fair value	2,030	3,093	445	5,568
Accumulated depreciation and impairment	(1,135)	(1,882)	(309)	(3,326)
Net carrying amount at 30 June 2008	895	1,211	136	2,242

Impairment of property, plant and equipment

Impairment, which is determined at each reporting period, is the difference between the fair value or recoverable amount of property, plant and equipment, and its carrying amount, which is its cost less accumulated depreciation. There have been no impairment losses during the current period other from the write off of scrapped fixed assets as shown in the table above.

Notes to the Financial Statements (continued)

13 Intangible assets - Goodwill

(a) Reconciliation of carrying amounts at the beginning and end of the period

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance as at 1 July	54,942	55,988	-	-
Proceeds from settlement of acquisition purchase price adjustment	-	(1,046)	-	-
Disposal – discontinued operation	(29,515)	-	-	-
Balance at 30 June	25,427	54,942	-	-

In 2008, goodwill was decreased by \$1,046,000 as a result of finalising provisional fair values during the year.

(b) Description of the Group's goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment.

(c) Impairment tests for goodwill with indefinite useful lives

(i) Description of the cash generating units and other relevant information

Goodwill acquired through business combinations has been allocated to three individual cash generating units, each of which is a reportable segment (note 3) for impairment testing, being: Property Services; Corporate Services, and Billback Systems.

If an impairment indication arises the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. Impairment tests were carried out as at 30 June 2009. The recoverable amount of each Cash Generating Unit (CGU) is determined based on a value-in-use calculation using cash flow projections based on financial projections covering a five year period. In performing the value-in-use calculations for each CGU, the Group has applied pre-tax discount rates to discount the forecast future attributable pre-tax cash flows. The equivalent pre-tax discount rates are disclosed for each CGU below.

- **Property Services** - The pre-tax discount rate applied to cash flow projections is 24% (2008: 25%). The growth rate used to extrapolate cash flows beyond the five-year period is 3% (2008: 3%) which is below the average growth rate for the industry in which the Property Services unit operates.

On 2 January 2009, the Group disposed of the businesses of Corporate Services and Billback Systems. This resulted in \$29,515,000 of goodwill being disposed. As a result no impairment test was required for these cash generating units at 30 June 2009.

Notes to the Financial Statements (continued)

13 Intangible assets – Goodwill (continued)

(ii) Carrying amounts of goodwill allocated to each of the cash generating units

	2009	2008
	\$'000	\$'000
Property Services	25,427	25,427
Corporate Services	-	18,489
Billback Systems	-	11,026
Balance at 30 June	25,427	54,942

(iii) Key assumptions used in value in use calculations for 30 June 2009 and 30 June 2008

The following describes each key assumption for cash flow projections when determining the value-in-use of the Property Services, Corporate Services, and Billback Systems divisions.

- **Revenue** - forecasts are based on detailed plans for the year ending 30 June 2009 and growth projections based on key drivers in the current businesses and markets for their products and services. A factor of 3% growth rate was applied as the basis for this assumption.
- **Gross margins** – forecast are based on detailed plans for the year ending 30 June 2009. Gross margin are projected to remain stable throughout the projection period.
- **Expenses** - based on detailed knowledge of the business, historic activity and detailed plans for the year ending 30 June 2009. This has been extrapolated in future years based on knowledge and assumptions around the growth in revenues and the level of expense required to support this.
- **Discount rate** – discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for country and business risks specific to that unit.

(iv) Sensitivity to changes in assumptions

- **Growth rate assumptions** – management considers that when revenue growth is zero, the value in use result remains 34% greater than the carrying amount. Management understand if negative growth rates are applied to revenues, by 1.6% over the five year period, this would give a value in use equal to the carrying amount of the Property Services unit. Current market trends are challenging in the short-term although the longer term prospects remain strong.
- **Discount rate assumptions** – management recognises that the time value of money may vary from what they have estimated. Management notes that the discount rate would have to treble in order for the recoverable amount to be below it carrying amount.

Notes to the Financial Statements (continued)

14 Other intangible assets

Year Ended 30 June 2009	CONSOLIDATED				
	Customer Contracts \$'000	Patents & Licences \$'000	Development Costs \$'000	Design Technology \$'000	Total \$'000
At 1 July 2008, net of accumulated amortisation	3,072	3,375	1,619	894	8,960
Additions	67	-	747	-	814
Disposals	-	-	(19)	-	(19)
Disposal - discontinued operations	(2,925)	(3,144)	(194)	(832)	(7,095)
Amortisation	-	-	(835)	-	(835)
Amortisation - discontinued operations	(214)	(231)	(138)	(62)	(645)
At 30 June 2009, net of accumulated amortisation	-	-	1,180	-	1,180
At 30 June 2009					
Cost (gross carry amount)	-	-	7,647	-	7,647
Accumulated amortisation and impairment	-	-	(6,467)	-	(6,467)
Net carrying amount	-	-	1,180	-	1,180
Year Ended 30 June 2008					
At 1 July 2007, net of accumulated amortisation	3,498	3,836	1,797	1,018	10,149
Additions	-	-	964	-	964
Disposals	-	-	(18)	-	(18)
Amortisation	(426)	(461)	(1,124)	(124)	(2,135)
At 30 June 2008, net of accumulated amortisation	3,072	3,375	1,619	894	8,960
At 30 June 2008					
Cost (gross carry amount)	4,261	4,658	7,703	1,240	17,862
Accumulated amortisation and impairment	(1,189)	(1,283)	(6,084)	(346)	(8,902)
Net carrying amount	3,072	3,375	1,619	894	8,960

No other intangible assets are held by the Parent Entity. During 2008, the Group finalised the cost of Lawpoint Pty Limited and the fair value allocation of the acquired assets and liabilities which resulted in a reduction in the value of certain intangible assets and corresponding increase in the goodwill balance.

The other intangible assets are assigned to the following cash generating units

Carrying amount of other intangibles	CONSOLIDATED	
	2009 \$'000	2008 \$'000
Property Services	1,180	1,288
Corporate Services	-	416
Billback Systems	-	7,256
Total	1,180	8,960

On 2 January 2009 the other intangible assets for Corporate Services and Billback Systems were sold as part of the share sale agreement with Reckon Limited for the purchase of the Corporate Services and Billback Systems subsidiaries.

Notes to the Financial Statements (continued)

15 Derivative assets

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Interest rate swap and option contracts - cash flow hedges at fair value	-	327	-	327

Interest rate swap and option contracts - cash flow hedges

In order to protect the Group against rising interest rates the Parent entered into a 5 year forward interest rate swap contract under which it had a right to receive interest at variable rates and to pay interest at fixed rates. The initial notional amount was \$26,250,000 reducing over the term of the instrument. The second instrument was a 5 year forward interest rate option where Espreon is the fixed rate payer and floating rate payer is Commonwealth Bank of Australia based on a notional amount which increases progressively. The effect of the option is to cap the interest payable on a portion of debt.

Due to interest rates falling throughout the year the derivative instruments became a liability for the Parent. As a consequence following the sale of Corporate Services and Billback Systems to Reckon Limited on 2 January 2009, management decided to use part of the proceeds to buy-out the derivative liability of \$324,000.

There are no swaps in place as at 30 June 2009. In the prior year the swap covered approximately 64.37% of the principal outstanding and was timed to expire as each repayment fell due. The fixed interest rate was 6.65% and the variable rate was at balance date was 7.74%.

There is no cap option in place. In the prior year the cap option covered approximately 5.32% of the principal outstanding. The strike rate for the cap option was 7.00%.

The derivatives did not qualify for hedge accounting and changes in fair value were recognised immediately in profit and loss. During the year ended 30 June 2009 a loss of \$650,000 was recognised in the income statement (2008: \$250,000).

16 Other assets

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Prepayments	1,473	648	6	132
Deposits	57	97	-	-
Accrued income	-	969	-	-
Other assets	9	-	9	-
	1,539	1,714	15	132
Non-current				
Other assets	-	12	-	-

Notes to the Financial Statements (continued)

17 Discontinued operations

(a) Details of operations disposed

On 27 November 2008, the Company publicly announced that it entered into a share sale agreement with Reckon Limited to dispose of the Corporate Services and Billback Systems businesses of the Group. The disposal was completed on 2 January 2009, on which date control of the businesses passed to Reckon Limited.

The Corporate Services business comprises Espreon Corporate Services Pty Limited and its subsidiaries, while the Billback Systems business comprises Recount Expense Management Systems Pty Ltd and its subsidiaries.

(b) Financial performance of operations disposed

The results of the operations for the year until disposal are presented below:

	30 June 2009			30 June 2008			
	Total \$'000	Corporate Services \$'000	Billback Systems \$'000	Total \$'000	Property Services \$'000	Corporate Services \$'000	Billback Systems \$'000
Revenue	13,844	6,565	7,279	30,519	251	15,794	14,474
Expenses	(12,717)	(5,737)	(6,980)	(27,088)	(86)	(13,208)	(13,794)
	1,127	828	299	3,431	165	2,586	680
Loss on disposal of operations	(20,331)			-			
Cost of disposal	(502)			-			
(Loss) / gain attributable to discontinued operations before tax	(19,706)			3,431			
Tax benefit / (expense)	39			(1,015)			
(Loss)/gain after tax attributable to discontinued operations	(19,667)			2,416			

Notes to the Financial Statements (continued)

17 Discontinued operations (continued)

(c) Assets and liabilities – operations disposed

The major classes of assets and liabilities of the Corporate Services and Billback Systems businesses disposed of on 2 January 2009 were as follows:

	Total \$'000	Corporate Services \$'000	Billback Systems \$'000
Assets			
Cash and cash equivalents	182	15	167
Trade and other receivables	3,267	653	2,614
Inventories	1,600	37	1,563
Property, plant and equipment	728	136	592
Intangibles	7,095	339	6,756
Goodwill	29,515	18,489	11,026
Deferred tax assets	575	80	495
Other assets	2,111	108	2,003
Assets of discontinued operations	45,073	19,857	25,216
Liabilities			
Trade and other payables	3,816	205	3,611
Interest-bearing liabilities	411	-	411
Deferred tax liabilities	606	35	571
Provisions	600	177	423
Income tax payable	189	-	189
Other liabilities	1,120	164	956
Liabilities of discontinued operations	6,742	581	6,161
Net assets attributable to discontinued operations	38,331	19,276	19,055

(d) Cash flow information – operations disposed

The net cash flows of the Corporate Services and Billback Systems businesses for the period until disposal were as follows:

	2009 \$'000
Net cash flows provided by operating activities	2,376
Net cash flows used in investing activities	(225)
Net cash flows used in financing activities	(3,818)
Net cash outflow	(1,667)

Notes to the Financial Statements (continued)

17 Discontinued operations (continued)

	2009
	\$'000
<i>Consideration received</i>	
Cash	18,000
Total disposal consideration	18,000
Less: net assets disposed of	(38,331)
Loss on disposal before income tax	(20,331)
Costs of disposal	(502)
Income tax expense	-
Loss on disposal after income tax	(20,833)
<i>Net cash inflow on disposal</i>	
Cash and cash equivalents consideration	18,000
Less cash and cash equivalents balance disposed of	(182)
Reflected in the consolidated cash flow statement	(17,818)

18 Trade and other payables

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
Current	\$'000	\$'000	\$'000	\$'000
Trade creditors	1,024	6,036	64	32
Other creditors	5,781	617	-	-
Deferred revenue	17	2,656	-	-
Amounts payable to related parties (b)	105	-	102	13,411
	6,927	9,309	166	13,443

(a) Fair value

Due to the short term nature of these creditors, their carrying value is an approximate for their fair value.

(b) Related party payables

Amounts payable to wholly owned entities and ultimate parent entity are non-interest bearing and repayable on demand. Refer to note 26 for details of related party transactions.

(c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 2.

Notes to the Financial Statements (continued)

19 Interest bearing liabilities

	Notes	CONSOLIDATED		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current					
Lease liability	24(a)	-	94	-	-
Bank loan		-	2,204	-	2,204
Other loan		-	475	-	-
		-	2,773	-	2,204
Non-current					
Bank loan		-	24,643	-	24,643
Other loan		-	214	-	-
		-	24,857	-	24,643
Facilities					
Credit facility		16,000	32,187	-	32,187
Amount utilised		(5,011)	(31,905)	-	(31,905)
Unused credit facilities		10,989	282	-	282

(a) Secured lease liability

The lease liability is secured by a first equitable mortgage by the Company and its controlled entities over the whole of their assets and undertakings including uncalled capital.

(b) Secured Bank Loan

In June 2006, the Company obtained a 5 year bank bill discount facility of \$35,000,000 from the Commonwealth Bank of Australia to assist with the funding of business acquisitions. To support the on-going operations of the Company, a multi-option facility was established in June 2006 of up to \$5,000,000 for a 3 year period. The facilities are secured by a first charge over the Group's assets.

During the year, the Company repaid loans associated with the bank bill discount facility. The repayments were made in two tranches being \$17,000,000, paid on 15 January 2009 and \$10,187,000 on 29 June 2009. The payment made on the 29 June 2009 was the last and final payment of this facility.

The effective interest under the bill discount facility was charged at an average variable rate of 8.4% (2008: 9.0% p.a. during the year). The effective interest rate after the amortisation of borrowing costs and the effect of interest rate derivatives was 10.4% (2008: 9.7%). The repayment of debt accelerated the amortisation of borrowing costs during the year by \$227,000 and this impacted the Company's effective interest rate by an increase of 1.3%. As a result of the repayment of the facility, there are no borrowing costs retained at 30 June 2009 with respect to this facility.

The multi-option facility was used to provide bank guarantees, finance lease and certain other facilities.

On 30 June 2009, the Commonwealth Bank of Australia signed a deed of release extinguishing the first charge over the Group's assets.

(c) New finance facilities

On 29 June 2009 Espreon Property Services Pty Ltd entered into new finance facilities, on behalf of the Group, with Westpac Banking Corporation to support the on-going operations of the Company. The multi-option facility totals \$16,000,000 consisting of an \$8,000,000 receivable facility, \$7,000,000 bank guarantee facility and other facilities of \$1,000,000.

As at 30 June 2009, Westpac Banking Corporation and Commonwealth Bank of Australia entered into a counter-indemnity arrangement to facilitate the change over of guarantees from the Commonwealth Bank of Australia to Westpac Banking Corporation. The guarantee value utilised at 30 June 2009 is \$5,011,000 (2008: \$4,611,000). The guarantees relate primarily to the performance of the Company's obligations under contracts with Government Authorities and property leases.

Notes to the Financial Statements (continued)

19 Interest bearing liabilities (continued)

(d) Other loan

During the year ended 30 June 2006, a number of Billback rental contracts were sold to a finance company. The proceeds from the sale have been treated as a loan rental which is amortised over the life of the rental contracts. This loan was sold as part of the disposal of Billback Systems to Reckon Limited.

(e) Liquidity Risk

Detail regarding liquidity risk exposure is disclosed in note 2.

(f) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 2.

(g) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans covenants or repayments.

20 Provisions

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Employee entitlements	886	1,467	36	159
Provision for make good costs	146	56	-	-
Provision for rent increases	106	107	-	-
	1,138	1,630	36	159
Non-current				
Employee entitlements	189	142	4	16
Provision for make good costs	148	256	-	-
Provision for rent increases	80	134	-	-
	417	532	4	16
(a) Movements	Employee entitlements \$'000	Make good provisions \$'000	Rent increases \$'000	
Balance 1 July 2008	1,609	312	241	
Arising during the year	1,354	76	101	
Utilised	(1,421)	(13)	(104)	
Disposal – discontinued operations	(467)	(81)	(52)	
Balance 30 June 2009	1,075	294	186	
(b) Aggregate employee entitlements liability	1,075	1,609	40	175
	Number	Number	Number	Number
(c) Number of employees at year end	306	382	8	14

Total number of employees at 30 June 2009 is 306 (2008: 382), comprising 187 full-time (2008: 316), 37 part-time (2008:8) and 82 casuals (2008: 58).

Notes to the Financial Statements (continued)

21 Other current liabilities

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current				
Accrued expenses	3,135	3,989	1,013	933

22 Contributed equity and reserves

	CONSOLIDATED AND PARENT			
	2009		2008	
	No. of Shares '000	Amount \$'000	No. of Shares '000	Amount \$'000
(a) Shares on issue				
Ordinary shares	95,068	57,383	94,477	57,092
Share based payments held in trust and treated as treasury shares	-	-	(7)	(5)
	95,068	57,383	94,470	57,087
(b) Movement in shares on issue				
Ordinary shares				
Opening balance	94,477	57,092	93,140	56,254
Issue of ordinary shares	875	419	1,337	838
Share buy back	(284)	(128)	-	-
Closing balance at 30 June	95,068	57,383	94,477	57,092
<i>Long Term Equity Based Incentive Plan (LTIP)</i>				
Opening balance	7	5	307	322
Shares converted to ultimate parent securities	(7)	(5)	-	-
Issued to employees	-	-	(300)	(317)
Closing balance at 30 June	-	-	7	5

The shares on issue exclude vested shares under the executive share based payments scheme (LTIP), which have not yet been settled.

(c) Terms and conditions of shares

Ordinary shares have the right to receive dividends as declared, and in the event of a wind up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on shares held. One ordinary share entitles its holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) De-listing of Company shares

On 29 June 2009, the Company announced that the Australian Stock Exchange ("ASX") advised that the Company's shares be removed from the Official List of ASX in accordance with Listing Rule 17.11.

As a consequence, in consultation with ASX, the Company will be removed from the Official List of ASX on 29 September 2009. The Company's shares will be suspended from trading at close of business on 22 September 2009.

Notes to the Financial Statements (continued)

22 Contributed equity and reserves (continued)

(e) Capital management

When managing capital, the company's objective is to ensure the entity continues as a going concern in order to deliver optimal returns to shareholders and benefits for other stakeholders. The Company aims to maintain a capital structure which provides the lowest cost of capital available.

The Company may adjust the capital structure through changes in dividends to shareholders, return of capital, issues of new shares or sales of assets to reduce debt.

The Company did not pay any dividends to shareholders during 2009.

The Company currently has no plans to issue further shares on the market, however may issue shares in respect of the exercise of options and rights.

The Company monitors capital through the gearing ratio (Net Debt / Total Capital).

The gearing ratios at 30 June 2009 and 2008 were as follows:

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net borrowings ¹	-	27,303	-	26,520
Less: cash and cash equivalents	(2,122)	(7,041)	(594)	(891)
Net debt	(2,122)	20,262	(594)	25,629
Total equity	32,588	51,266	19,382	33,461
Total capital	30,466	71,528	18,788	59,090
Gearing ratio	N/A	28%	N/A	43%

¹ includes interest bearing liabilities and associated derivative instruments.

The gearing ratio has not been calculated for 2009 as the Group does not have any interest bearing liabilities at that date.

(f) Reserves

	CONSOLIDATED			PARENT	
	Options Reserve \$'000	Foreign currency translation \$'000	Total \$'000	Options Reserve \$'000	Total \$'000
At 1 July 2007	965	38	1,003	965	965
Currency translation differences	-	(279)	(279)	-	-
Share based payments	(551)	-	(551)	(551)	(551)
At 30 June 2008	414	(241)	173	414	414
Currency translation differences	-	241	241	-	-
Payment to employee share plan on exercise of share rights	(294)	-	(294)	(294)	(294)
Options expense	206	-	206	206	206
At 30 June 2009	326	-	326	326	326

Notes to the Financial Statements (continued)

22 Contributed equity and reserves (continued)

(g) Nature and purpose of reserves

Employee equity benefits reserve

This reserve is used to record the value of equity benefits provided by the Company as part of remuneration or consideration to third parties. Refer to note 27 for further details of these plans.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

23 Accumulated losses

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Accumulated losses at beginning of the financial year	(5,994)	(11,291)	(24,040)	(20,296)
Net (loss) / profit attributable to members of the Parent Entity	(19,127)	5,297	(14,287)	(3,744)
Accumulated losses at end of the financial year	(25,121)	(5,994)	(38,327)	(24,040)

24 Commitments and contingencies

(a) Finance lease commitments - Group as lessee

	Notes	CONSOLIDATED		PARENT	
		2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Payable:					
within one year		-	94	-	-
Minimum lease payments		-	97	-	-
Less future finance charges		-	(3)	-	-
Total lease liability		-	94	-	-

The finance leases are on plant and equipment with lease payments paid monthly in advance. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Notes to the Financial Statements (continued)

24 Commitments and contingencies (continued)

(b) Operating lease commitments - Group as lessee

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Non-cancellable operating leases contracted:				
within one year	1,711	2,222	-	-
after one year but not more than five years	2,921	4,276	-	-
more than five years	-	454	-	-
Total lease liability	4,632	6,952	-	-

The property leases are non-cancellable leases with rent payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments shall be increased by the lower of CPI or between 4%-6% per annum. These property leases have an average life of between 1 and 5 years. Options exist to renew leases at the end of the lease terms. The leases allow for subletting of all lease areas.

(c) Capital expenditure commitments

Capital expenditure commitments contracted for:

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Software development	472	623	-	-

(d) Guarantees

Espreon Limited has a guarantee facility of \$7,000,000 as at 30 June 2009 arranged with an Australian bank. Guarantees issued under this facility at 30 June 2009 amounted to \$5,011,000 (2008: \$4,611,000) and relate primarily to the performance of the Company's obligations under contracts with Government Authorities and property leases.

(e) Other Contingencies

On 24 June 2009, Espreon Limited received a Summons served by Reckon Limited making various claims in respect of the Share Sale Agreement, between both parties, for the sale and purchase of Espreon's Corporate Services and Billback System businesses.

Espreon Limited believes that the allegations and claims made by Reckon Limited are without foundation and will defend the action vigorously.

Other than those listed above, Espreon Limited and its controlled entities do not have any other contingent liabilities or contingent assets as at the 30 June 2009.

Notes to the Financial Statements (continued)

25 Cash flow information

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Reconciliation of net (loss) / profit after tax to net cash flows from operations				
Net (loss) / profit	(19,127)	5,297	(14,287)	(3,744)
Adjustments for:				
Depreciation	1,059	1,379	-	-
Amortisation	1,480	2,153	-	-
Impairment and write-off of assets	-	-	-	-
Share based payments	103	407	51	312
Net (gain)/ loss on disposal of non-current assets	1	(9)	-	-
Dividend classified as investing cash flows	-	-	(18,858)	-
Net loss / (gain) on sale of business	20,833	(165)	28,481	-
Net loss / (gain) on fair value change on derivatives	650	(250)	650	(250)
Changes in net assets and liabilities:				
Decrease/(increase) in trade receivables	2,290	2,403	(2)	(35)
Decrease / (increase) in inventory	507	(526)	-	-
(Increase) / decrease in prepayments & other assets	(2,104)	(410)	(279)	307
(Decrease)/increase in trade and other creditors	722	(4,446)	32	(111)
Increase in accrued expenses	207	2,369	183	314
Decrease in provisions & other liabilities	(251)	68	(1,986)	(3,397)
Net cash flow from / (used in) operations	6,370	8,270	(6,015)	(6,604)

Notes to the Financial Statements (continued)

26 Related party disclosure

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Subsidiaries

The consolidated financial statements include the following controlled entities:

Name of controlled entity	Country of incorporation	Class of shares	Equity holding	
			2009 %	2008 %
Espreon Property Services Pty Limited	Australia	Ordinary	100	100
Lawpoint Pty Limited	Australia	Ordinary	100	100
Espreon Conveyancing (WA) Pty Limited	Australia	Ordinary	100	100
Espreon Conveyancing SA Pty Limited ¹	Australia	Ordinary	100	-
Espreon Corporate Services Pty Limited	Australia	Ordinary	-	100
Independent Corporate Services Pty Limited	Australia	Ordinary	-	100
Quickdocs.com Pty Limited ²	Australia	Ordinary	-	100
Recount Expense Management Systems Pty Limited	Australia	Ordinary	-	100
Billback Systems (UK) Limited	United Kingdom	Ordinary	-	100
Billback LLC	USA	Ordinary	-	100

¹ Incorporated during the year

² Non – trading company

(b) Ultimate Parent

Espreon Limited is the ultimate Australian parent entity and the ultimate parent of the Group is SAI Global Limited, which was incorporated in Australia and owns 62.69% of Espreon Limited.

(c) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid are included in note 27.

(d) Intercompany transactions

	Sales to related parties	Purchases / management fees from related parties	Amounts owed by related parties ²		Amounts owed to related parties	
	2009 \$'000	2009 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Consolidated						
SAI Global Limited	-	95	-	-	105	-
Espreon Property Services Pty Ltd	-	35	-	-	-	-
Espreon Conveyancing SA Pty Ltd	35	-	-	-	-	-
Parent						
SAI Global Limited	-	92 ¹	-	-	102	-
Espreon Property Services Pty Ltd	-	-	18,397	25,238	-	-
Lawpoint Pty Limited	-	-	822	610	-	-
Espreon Corporate Services Pty Ltd	-	-	-	729	-	4,281
Recount Expense Management Systems Pty Ltd	-	-	-	68	-	9,130

¹ The \$92,000 represents the management fee charged by SAI Global Limited as noted in the Remuneration Report.

² The movement in intercompany balances during the 2009 financial year is attributable to financing activities. The loans are interest free and have no fixed terms of repayment.

Notes to the Financial Statements (continued)

26 Related party disclosure (continued)

During the year Espreon Limited received dividend payments from Espreon Corporate Services Pty Ltd of \$5,391,000 (2008: nil) and Recount Expense Management Systems Pty Limited of \$13,467,000 (2008: nil).

(e) Entities subject to class order relief

Pursuant to Class Order 98/1418, relief has been granted to Espreon Property Services Pty Limited, Espreon Corporate Services Pty Limited, Recount Expense Management Systems Pty Limited and Lawpoint Pty Limited from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, Espreon Limited, Espreon Property Services Pty Limited, Espreon Corporate Services Pty Limited, Recount Expense Management Systems Pty Limited and Lawpoint Pty Limited (the 'Closed Group') entered into a Deed of Cross Guarantee on 29 November 2005 (amended on 30 June 2006). The effect of the deed is that Espreon Limited has guaranteed to pay any deficiency in the event of winding up of a controlled entity. The controlled entities also have given a similar guarantee in the event that Espreon Limited is wound up.

On 2 January 2009, Espreon Limited disposed of the entities of Espreon Corporate Services Pty Ltd and Recount Expense Management Systems Pty Limited. The effect of the disposal is that the entities are no longer part of the Deed of Cross Guarantee.

The consolidated income statement and balance sheet for year ended 30 June 2009 of the entities which are members of the "Closed Group" are as follows:

CONSOLIDATED INCOME STATEMENT	2009	2008
	\$'000	\$'000
(Loss)/profit from continuing operations	(18,097)	3,811
Income tax expense	(22)	(909)
(Loss)/profit after income tax	(18,119)	2,902
Profit from discontinued operations after income tax	706	2,778
Retained losses at the beginning of the period	(7,708)	(13,388)
Accumulated losses at the end of the period	(25,121)	(7,708)

Notes to the Financial Statements (continued)

26 Related party disclosure (continued)

CONSOLIDATED BALANCE SHEET	2009 \$'000	2008 \$'000
Current assets		
Cash and cash equivalents	2,122	7,358
Trade and other receivables	12,107	15,685
Inventories	-	1,107
Other	1,539	602
Total current assets	15,768	24,752
Non-current assets		
Property, plant and equipment	1,146	2,132
Goodwill	25,427	54,942
Intangible assets	1,180	8,960
Deferred tax assets	1,653	1,651
Derivatives	-	327
Other	-	12
Total non-current assets	29,406	68,024
Total assets	45,174	92,776
Current liabilities		
Payables	6,927	8,284
Interest-bearing liabilities	-	2,773
Income tax payable	689	284
Provisions	1,138	1,553
Other	3,135	3,523
Total current liabilities	11,889	16,417
Non-current liabilities		
Deferred tax liability	280	1,196
Interest-bearing liabilities	-	24,857
Provisions	417	513
Total non-current liabilities	697	26,566
Total liabilities	12,586	42,983
Net assets	32,588	49,793
Equity		
Contributed equity	57,383	57,087
Reserves	326	414
Retained accumulated losses	(25,121)	(7,708)
Total equity	32,588	49,793

Notes to the Financial Statements (continued)

27 Key management personnel

(a) Details of Key Management Personnel

(i) Directors

Current

Phillip Anderson	Non-Executive Director & Chairman
Tony Scotton	Executive Director & Chief Executive Officer (appointed 12 March 2009 & 1 May 2009 respectively)
Geoff Richardson	Executive Director & Chief Financial Officer (appointed 12 March 2009 & 1 April 2009 respectively)

Former

Craig Kennedy	Managing Director & Chief Executive Officer (resigned 25 November 2008)
Ian Payne	Non-Executive Director (resigned 12 March 2009)
Judi Stack	Non-Executive Director (resigned 12 March 2009)
Roger Amos	Non-Executive Director (resigned 12 March 2009)

(ii) Executives

Current

Hanna Myllyoja	General Counsel & Company Secretary (appointed 1 May 2009)
Andrew Jones	Group Director HR (appointed 1 May 2009)
Brett Lenthall	Chief Information Officer (appointed 1 May 2009)
Nathan Harper	Chief Technology Officer (appointed 1 May 2009)
Duncan Ward	General Manager, Property Services

Former

Brian Parker	Chief Operating Officer, Espreon Limited (ceased employment 31 May 2009)
Iain Keddie	Interim Chief Executive Officer, Espreon Limited (appointed 26 November 2008, ceased employment 30 April 2009)
	Chief Financial Officer, Espreon Limited (ceased employment 30 April 2009)
Andrew Moon	CEO, Billback Systems (ceased employment 2 January 2009)
Russell Scott	General Manager, Corporate Services (ceased employment 2 January 2009)

(b) Compensation of Key Management Personnel

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Short-term employee benefits	1,859	2,478	1,298	1,466
Post-employment benefits	141	186	74	79
Other long-term benefits	1	18	-	16
Termination benefits	489	-	489	-
Share-base payments	51	392	51	312
Total	2,541	3,074	1,912	1,873

Notes to the Financial Statements (continued)

27 Key management personnel (continued)

(c) Options and rights holdings of Key Management Personnel (Consolidated)

	Balance at 1.7.08	Granted as Remuneration	Options/ Rights Exercised	Net change other ¹	Balance at 30.6.09	Vested at 30 June 2009	
						Vested and Exercisable	Unvested
(i) Directors							
Craig Kennedy	375,000	-	(375,000)	-	-	-	-
Ian Payne ²	30,000	-	-	(30,000)	-	-	-
(ii) Executives							
Brian Parker	500,000	200,000	(200,000)	(500,000)	-	-	-
Iain Keddie	500,000	300,000	(300,000)	(500,000)	-	-	-
Russell Scott	400,000	-	-	(400,000)	-	-	-
Andrew Moon	750,000	-	-	(750,000)	-	-	-
Total	2,555,000	500,000	(875,000)	(2,180,000)	-	-	-
	Balance at 1.7.07	Granted as Remuneration	Options/ Rights Exercised	Net change other	Balance at 30.6.08	Vested at 30 June 2008	
						Vested and Exercisable	Unvested
(i) Directors							
Craig Kennedy	1,200,000	-	(825,000)	-	375,000	-	375,000
Ian Payne	30,000	-	-	-	30,000	30,000	-
(ii) Executives							
Brian Parker	200,000	500,000	(200,000)	-	500,000	-	500,000
Iain Keddie	-	500,000	-	-	500,000	-	500,000
Russell Scott	-	400,000	-	-	400,000	-	400,000
Andrew Moon	-	750,000	-	-	750,000	-	750,000
Total	1,430,000	2,150,000	(1,025,000)	-	2,555,000	30,000	2,525,000

1 As a result of Directors and executives terminations and resignation through the year.

2 Options lapsed during the year.

3 SAI executives as noted in the Remuneration Report do not hold Options and Rights.

Notes to the Financial Statements (continued)

27 Key management personnel (continued)

(d) Shareholdings of Key Management Personnel (Consolidated)

The relevant interests of each Director and Key Management Personnel and their personally related entities in ordinary shares of Espreon Limited are:

	Balance 1.7.08	Granted as Remuneration	Rights Exercised	Net Change Other ¹	Balance 30.6.09
Directors					
Craig Kennedy	1,025,000	-	375,000	(1,400,000)	-
Phillip Anderson	50,000	-	-	(50,000)	-
Ian Payne	92,800	-	-	(92,800)	-
Judi Stack	10,000	-	-	(10,000)	-
Roger Amos	17,000	-	-	(17,000)	-
Key Management Personnel					
Brian Parker	200,000	-	200,000	(400,000)	-
Iain Keddie	79,993	-	300,000	(379,993)	-
Total	1,474,793	-	875,000	(2,349,793)	-

¹ As a result of Directors and executives terminations and resignation through the year.

	Balance 1.7.07	Granted as Remuneration	Rights Exercised	Net Change Other	Balance 30.6.08
Directors					
Craig Kennedy	200,000	-	825,000	-	1,025,000
Phillip Anderson	50,000	-	-	-	50,000
Barbara Moore ¹	10,712,400	-	-	(10,712,400)	-
Ian Payne	92,800	-	-	-	92,800
Judi Stack	10,000	-	-	-	10,000
Roger Amos	17,000	-	-	-	17,000
Key Management Personnel					
Brian Parker	-	-	200,000	-	200,000
Iain Keddie ²	-	-	-	79,993	79,993
Total	11,082,200	-	1,025,000	(10,632,407)	1,474,793

¹ Mrs Moore ceased being a Director on 9 July 2008

² Mr Keddie elected to sacrifice remuneration and receive shares under the Espreon Deferred Employee Share Plan.

(e) Related Party Transactions

All equity transactions with Key Management Personnel other than those arising from the exercise of remuneration options and rights, have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Notes to the Financial Statements (continued)

28 Share base payment plans

(a) Recognised share-based payment expenses

The expense recognised for employee and other services received during the year are shown in the table below:

	CONSOLIDATED		PARENT	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Expense arising from equity-settled share based payment transactions	103	407	51	312

(b) Types of share-based payment plan

(i) Executives and employees

The Company operated an Executive Option Plan (EOP). The EOP is designed to align participants' interest with those of shareholders by increasing the value of the Company's shares. The rules of the EOP provide that the Board may, at its discretion, and subject to such vesting hurdles as it deems appropriate, grant options to selected executives and other employees. The EOP replaced all prior share and option plans which are now closed to new participants.

During the year, 500,000 options were issued to selected executives and employees.

During the year, no shares were issued under the Exempt Employee Share Plan. As at 30 June 2009 the Exempt Employee Share Plan held 3,168 shares.

During the year, the Company issued 875,000 shares under the Deferred Employee Share Plan. As at 30 June 2009 the Deferred Employee Share Plan held no shares. All shares were either transferred to a departed employee(s) or were sold into the SAI Global Limited on-market takeover bid for the Company.

(ii) Contractors

Under the terms of the Company's former share plans, the Group remunerated certain contractors for services rendered through the issue of rights over shares. Details of rights granted under such arrangements are included below.

(c) Options and rights granted during the year

Name of Executive	Number Granted	Grant Date	Fair value of Option at Grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date
2009							
Brian Parker	200,000	28-Nov-08	0.1814	0.25	31-Dec-10	27-Feb-09	31-Dec-10
Iain Keddie	300,000	28-Nov-08	0.1814	0.25	31-Dec-10	27-Feb-09	31-Dec-10
2008							
Brian Parker	500,000	9-Aug-07	0.1823	0.65	23-Oct-10	23-Jul-09	23-Oct-10
Iain Keddie	500,000	9-Aug-07	0.1823	0.65	23-Oct-10	23-Jul-09	23-Oct-10
Andrew Moon	750,000	9-Aug-07	0.1823	0.65	23-Oct-10	23-Jul-09	23-Oct-10
Russell Scott	400,000	9-Aug-07	0.1823	0.65	23-Oct-10	23-Jul-09	23-Oct-10

The options outlined in the table vest over the period between first and last exercise date.

Notes to the Financial Statements (continued)

28 Share base payment plans (continued)

(d) Fair value of options

The fair value of each option was estimated on the date of grant using a modified Black-Scholes option pricing model, apart from options granted on 28 Nov 2008 which was valued using a binomial approximation pricing model. The assumptions used at each relevant valuation date were as follows:

Grant date	Expected volatility	Historical	Exercise Price	Risk-free interest rate	Expected life of option (days)
04-Nov-05	87%	87%	\$Nil	5.5%	1,826
24-Feb-06	87%	87%	\$Nil	5.5%	919
02-Nov-06	87%	87%	\$Nil	6.0%	1,463
9-Aug-07	48%	48%	\$0.65	6.4%	1,079
16-Apr-08	57%	57%	\$0.65	6.2%	805
28-Nov-08	73%	73%	\$0.25	3.6%	443

(e) Summary of share options and rights granted

The following table illustrates the number and weighted average exercise price (WAEP) of shares options and rights issued.

	2009	2009 WAEP	2008	2008 WAEP
Opening balance at 1 July	2,901,160	\$0.56	2,312,394	\$0.21
Granted during the year	500,000	\$0.25	2,402,160	\$0.65
Exercised during the year	(875,000)	\$0.00	(1,325,000)	\$0.00
Lapsed during the year	(2,515,493)	\$0.51	(488,394)	\$0.85
Closing balance at 30 June	10,667	\$1.49	2,901,160	\$0.56

Exercisable at end of the year 10,667 63,594

The outstanding balance at 30 June is represented by:

	Date granted	Balance at 30 June 2009	Weighted Average Exercise price	Expiry date
Employees	26-Sep-02	5,667	1.49	26-Sep-09
Former employees and contractors	26-Sep-02	5,000	1.49	26-Sep-09
Balance of option and rights at 30 June 2009		10,667	1.49	

Notes to the Financial Statements (continued)

29 Events after the balance sheet date

On 17 July 2009, the Company announced 124,800 shares were cancelled under its current share buy-back program.

On 14 August 2009, the Company announced 9,500 shares were cancelled under its current share buy-back program. The shares on issue at this date are 94,934,159 fully paid ordinary shares and 10,667 options (EONAI).

Directors' Declaration

In accordance with a resolution of the Directors of Espreon Limited, we state that:

In the opinion of the Directors:

- a. the financial statements and notes of the Company and the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance 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.
- c. this declaration has been made after receiving the declarations required to be made to the Directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.
- d. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 26 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board



Phillip Anderson
Chairman



Tony Scotton
Chief Executive Officer

Dated this 18th day of August 2009.

Independent auditor's report



Independent auditor's report to the members of Espreon Limited

Report on the Financial Report

We have audited the accompanying financial report of Espreon Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b), the Directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the Directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Limited liability by a scheme approved under Professional Standards Legislation

Independent auditor's report (continued)



Auditor's Opinion

In our opinion:

1. the financial report of Espreon Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position of Espreon Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 17 of the Directors' Report for the year ended 30 June 2009. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Espreon Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Daniel Cunningham'.

Daniel Cunningham
Partner
Sydney
18 August 2009

Additional Information

Distribution of Equity Securities

(i) Ordinary Share Capital

There is only one class of equity securities, being fully paid ordinary shares. At 14 August 2009, 94,934,159 Shares were held by 56 individual shareholders.

All ordinary shares carry one vote per share and carry the right to dividends. There is currently an on-market buy-back on ordinary shares.

(ii) Options and rights

At 14 August 2009, 10,667 options (including rights) were held by 2 individual option holders.

Options do not carry a right to vote.

Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited. The Company is listed on the Australian Stock Exchange under the code EON.

Distribution of Equity Securities

as at 14 August 2009

	Number of Ordinary Shares	Number of Shareholders	Number of Options	Number of Option holders
1-1,000	51	2	-	-
1,001-5,000	101,195	32	5,000	1
5,001-10,000	36,036	5	5,667	1
10,001-100,000	457,954	14	-	-
100,001-and over	94,338,923	3	-	-
	94,934,159	56	10,667	2

The number of shareholdings held in less than marketable parcels is 2, based on the closing price of EON shares of 45 cents as at 13 August 2009.

Additional Information (continued)

Substantial Shareholders

As at 14 August 2009

Shareholder Name	Number of ordinary shares	% of shares held
SAI Global Limited	59,603,993	62.78%
Vectis Group Pty Ltd	34,533,262	36.38%

Top 20 Shareholders

As at 14 August 2009, the 20 largest registered holders of share in the Company were:

Shareholder's registered name	Number of ordinary shares	% of shares held
1 SAI Global Limited	59,603,993	62.78%
2 Vectis Group Pty Ltd	34,533,262	36.38%
3 Coralco Pty Ltd	201,668	0.21%
4 Mr Richard Ewan Bromley Mews	79,750	0.08%
5 Rowont Pty Ltd	65,000	0.07%
6 Comsec Nominees Pty Limited	60,000	0.06%
7 Kenna Dell Pty Limited	50,000	0.05%
8 Citano Pty Ltd <G N Willis Super Fund A/C>	40,100	0.04%
9 Mr Richard Ewan Bromley Mews & Mrs Wee Khoon Mews <Mews Super Fund A/C>	31,130	0.03%
10 Mr Jung-Fang Hou & Mrs Hsiu-Tao Yen	30,000	0.03%
11 Mr Geoff Humphrey & Mrs Cheryl Humphrey <Super Fund A/C>	20,000	0.02%
12 Business Network Services Pty Ltd <Superannuation Fund A/C>	15,000	0.02%
13 Mrs Milly Elkington	15,000	0.02%
14 Mr Timothy Lloyd Mahony <Mahony Super Fund A/C>	15,000	0.02%
15 Mrs Wendy Narelle Lindner	13,000	0.01%
16 Mr David Gailer	12,000	0.01%
17 Risano Pty Ltd	11,974	0.01%
18 Mr Adrian Paul Murphy	9,786	0.01%
19 Wilarm Nominees Pty Ltd	9,000	0.01%
20 Dr Gordon Bradley Elkington	6,000	0.01%
	94,821,663	99.87%

Company Directory

Directors

Phillip Anderson	Independent Non-Executive Director and Chairman
Tony Scotton	Chief Executive Officer and Executive Director
Geoff Richardson	Chief Financial Officer and Executive Director

Company Secretary

Hanna Myllyoja

Registered Office

286 Sussex Street, Sydney, NSW 2000
Phone: +61 2 8206 6130

Principal places of business

Level 5, 77 Castlereagh Street, Sydney NSW 2000
Level 20, 535 Bourke Street, Melbourne VIC 3000
Level 5, 215 Adelaide Street, Brisbane QLD 4000
Level 7, 76 Waymouth Street, Adelaide SA 5000
Level 1, 66 St Georges Terrace, Perth WA 6000
Level 8, 15 London Circuit, Canberra, ACT, 2601
Level 2, 5 Lawson Street Southport, QLD, 4215

Website

www.espreon.com

Auditors

Ernst & Young
680 George Street, Sydney NSW 2000

Share Registry

Registries Limited
Level 2, 28 Margaret Street, Sydney NSW 2000
www.registriesltd.com.au
Phone: + 61 2 9290 9600
Fax: + 61 2 9279 0664