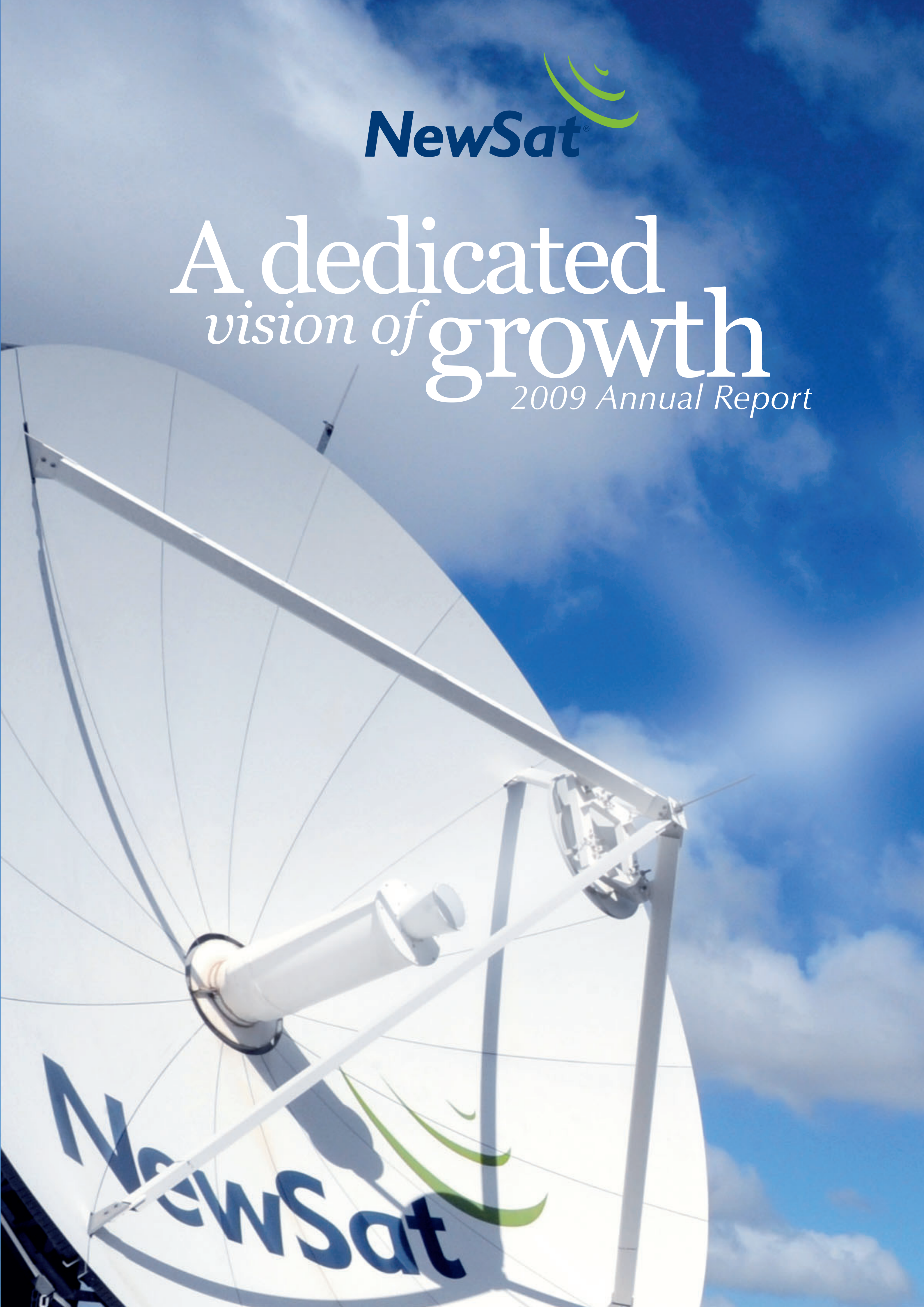
NewSat

A dedicated *vision of* growth

2009 Annual Report



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Corporate Information

ABN 12 003 237 303

This annual report covers both NewSat Limited as an individual entity and the consolidated entity comprising NewSat Limited and its subsidiaries. The Group's functional and presentation currency is AUD ($).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 9 to 21. The directors' report is not part of the financial report.

Directors

Richard R Green (Non-Executive Chairman, Appointed 27 August 2009)
Adrian M Ballintine (Founder and Chief Executive Officer)
John H Walker (Non-Executive Director)
Elwood C Ellison (Non-Executive Director)
Christopher M North (Non-Executive Director Resigned 17 March 2009)

Company Secretary

Adam Shapiro

Principal & Registered office

Level 4
6 Riverside Quay
Southbank Victoria 3006
Australia
Telephone: + 61 3 9674 4644
Facsimile: + 61 3 9674 4655
Web site: www.newsat.com
E-mail: info@newsat.com

Share Register

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Australia

Solicitors

Deacons
RACV Tower
485 Bourke Street
Melbourne Victoria 3000
Australia

HWL Ebsworth Lawyers
570 Bourke Street
Melbourne Victoria 3000
Australia

Bankers

National Australia Bank Limited
330 Collins Street
Melbourne Victoria 3000
Australia

Auditors

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000
Australia

Chairman's Statement

The financial results and overall performance of the company during 2008/09 showed a marked improvement in all areas over previous years and whilst we fell marginally short of producing results that were both profitable and cash flow positive, Directors believe that the platform has been built for these milestones to be reached in this current financial year.

The Board's strategy noted in last years report of focussing management on our core business, business assets and market strengths has produced the sustainable company we promised. In addition we continue to be committed to our goal of launching a satellite into the Australian marketplace. We believe our Jabiru project to be achievable, potentially highly profitable and much needed in this country. Whilst there is still little clarity in this aspect of the Governments NBN strategy it remains our view that an Australian owned and operated satellite with Ku and Ka Band capacity would be a substantial asset for NewSat and its shareholders.

During the year Mr Chris North resigned from the Board and I would like to thank him for his contribution to the company. The remaining Directors subsequently took the view that it was an appropriate time to refresh the Board composition and announcements regarding this have been made to the market and to shareholders post the close of the 2009 financial year.

As this will be my last Chairman's report following my decision to step down from the role in August after 8 years, I would like to thank all shareholders, Directors and staff for their support during this time. I would particularly like to wish my successor Mr. Richard Green well in his new role.

John Walker

30 September 2009

Chief Executive Officer's Report

This year NewSat enjoyed its 10th anniversary as a publicly listed entity. Despite the global economic downturn, the company entered a growth phase which resulted in significantly improved results and places the business in an excellent position heading into the 2010 financial year. As NewSat's long-term annuity revenues and absence of debt drive the company into profitability, a new decade of strong growth lays ahead.

In 2005 NewSat purchased two teleport facilities with the objective to become the centre of space and satellite communications in Australia. Ownership of teleports has been a springboard for several companies overseas to launch satellites, and NewSat also has this goal. For years it has researched, analysed, investigated and financially modeled the business case for launching Australia's first commercial satellite. NewSat has now created Jabiru Limited for the purpose of fulfilling this goal. Much headway has been achieved and the suggested 2012 satellite launch date is now becoming a reality.

The journey has not been an easy one. NewSat has overcome numerous barriers in an effort to pursue this goal. Space assets require a minimum level of infrastructure that in the early years is difficult to support. However, once monthly recurring revenues reach a point, sustained profitability is achievable if the business is effectively managed. NewSat now sits ready to deliver growth, profits, and innovation to its shareholders from the unique platform of world-class teleport facilities and the objective to launch Australia's first commercial satellite.

NewSat's culture is one of the company's key assets, and several management changes at senior level over the last two years have injected fresh energy into the business. These adjustments culminated in securing more new customers, quality long-term profitable revenue and a more integrated cost-efficient organization.

The company's world-class satellite communications assets, together with the extensive experience contained in the NewSat team is driving significant enquiry from international SATCOM and telecommunication providers. NewSat is poised to become a great Australian success and the leader in satellite communications. As the company moves into this next stage of growth and profitability the shareholders will reap the rewards they deserve.

For the 2009 annual report, to signify a new era I have provided additional high-level commentary and insight to our shareholders on the business, the achievements and the outlook for the future. The objective is to reinforce where we are at today but more importantly where we are going tomorrow.

NewSat's customers

- Enterprise & Government operations in Australia
- 25+ global SATCOM providers and system integrators
- Use 180+ MHZ of bandwidth across 13 satellites
- Have more than 2000 VSAT sites in operation
- Services delivered to end users across the Indian and Pacific Oceans, Asia, Europe, the Middle East, Africa and the United States

Benefits to customers

- Satellite capacity across 13 satellites
- Teleport services 24 x 7 x 365 with 75% coverage of the world
- World-wide VSAT solutions

'NewSat is one of our preferred partners because we know their service meets our stringent service provider requirements'

Dean Last, Director of Operations at Caprock Communications

Chief Executive Officer's Report

Financial Highlights

Total Revenue	▲	By 46% or $6.3 million to $19.9 million
Gross Profit	▲	By 76% or $4.1 million to $9.5 million reflecting both higher revenue and margin %
EBITDA	▲	By $5.9 million reflecting both gross margin improvements and business cost reductions
Monthly recurring contract revenue charge	▲	By 46% to $1.68 million per month reflecting both strong new customer growth and retention
Annualised contracted annuity revenue	▲	To $20.2 million
Annual average revenue per contract	▲	By 54% or $7k to $20k per contract reflecting higher value contracts and higher grade customers
Total New Contract Value	▲	By 277% or $12.7 million in total new contract value reflecting market penetration
Operating Cashflow	▲	By 99% or $4.8 million reflecting all of the above and structured cash management

Growth Drivers & Industry Trends

2009 saw strong growth as NewSat signed a range of new contracts with worldwide system integrators, oil, gas and mining operators, and large government departments. The company enjoyed a significant increase in new business growth, and it is anticipated these strong trading conditions will be maintained and be driven by:

- System Integrators & Telco/ISP's appetite to on-sell SATCOM
- Growth in on-demand minimal capex VSAT solutions
- Faster speeds and larger content sizes which increase bandwidth requirements

As technology constantly evolves NewSat are enjoying benefits from adopting industry lead encapsulation and encoding techniques. This development is allowing the company to service more network coverage, with no additional operating costs.

Key Operational and Strategic Initiatives

Throughout 2009 NewSat continued to develop the integral capabilities required to provide the best SATCOM solutions to partners, enterprise and government. The key drivers include unlocking new geo-stationary bandwidth and being an attractive solution to the National Broadband Network (NBN).

Today geo-stationary satellite space across Australia, the Middle East and Africa is scarce and in-demand, with per mhz prices reaching record highs. As bandwidth requirements continue to grow and the need for further capacity in Australia develops with the NBN becoming a reality, NewSat is in significant discussions with all relevant parties to launch Jabiru-1. The launching of Australia's first commercial satellite will provide tangible benefits to NewSat. It will expand the company's market share and growth through the complete ownership of the satellite communications supply chain.

Community Activities

In 2007 the Western Australian government launched a funding initiative project to connect the remote Kimberley region with satellite broadband. Partnering with NewSat to utilise the company's world-class infrastructure, technology and know-how, this challenge was accomplished and the project has been a success. Satellite broadband now gives these communities in one of the most remote regions of Australia reliable internet access. The continuous monthly growth of the Kimberley broadband network is evidence that NewSat's capabilities have been positively utilized to fulfill a need and benefit these rural communities.

'Having access to a broadband network has brought a whole new dimension to connectivity in these communities, and the benefits are not just for the locals.'

Retailer & Network User in the Kimberley Region

Chief Executive Officer's Report

Marketing Plan

Significant innovations in the marketing industry over the past year have led to developments in new tools and capabilities. These advances have allowed all companies the opportunity to extend their performance range and marketing saturation without an increase in costs. NewSat has adopted this paradigm shift and molded the company's marketing program to encompass these new competitive elements.

Acquisition channels are now focused on both digital and direct mediums. A new website has been developed that supports lead generation and reinforces where NewSat is today and will be tomorrow. The marketing objective is to be a step ahead of the competition and raise awareness in markets where there is a defined need across three product categories - satellite capacity, teleport services and VSAT solutions.

Sophisticated marketing automation software has also been adopted to create dynamic campaigns that automatically respond to prospect behaviours, lifecycle segments and other criteria. These technologies are engaging prospects to move through the pipeline, while extending purchase size and customer retention.

Outlook

Prior to the start of the 2009 financial year, the NewSat management team and Board set ambitious goals for the 12 month period ahead. We knew that reaching these aggressive goals would set the tone for our long-term aspirations. A year removed, we can confidently say that NewSat is in excellent shape to progress towards achieving both our short-term and long-term objectives.

The 2010 financial year will be full of new challenges. We have set bigger goals than a year ago and have much higher expectations.

Achievement of our goals will be based on an inch-by-inch, day-by-day, week-by-week measurement of business growth. This is not to say we lack a vision for the future, but to lay the golden egg in the future we must continue to hammer the key business fundamentals today. We have to fight for every inch in driving the business to grow every day, every week and every month.

There are a number of key items that must be delivered on to achieve our aggressive goals.

The first is to grow our month-on-month sales through both new customer acquisition and organic growth amongst our existing customers. We have set ambitious monthly sales targets and customer acquisition metrics. Whilst the targets set are high, they are absolutely achievable with a focused effort by our Sales and Marketing team. Our lead generation and marketing process are paramount in this and must be relentless in promoting our strengths and continuing to target enterprises, end-users, and partners.

Our service delivery out of the Perth and Adelaide Earth Stations continues to be amongst the best in the industry and remains a key focus. This business has a proven history of loyal customer retention. Customers feel they can trust NewSat with mission critical solutions. The formula is simple. We take care of our customers by leveraging our world-class assets and engineering skills and they stay with us for a long time.

Over the past 18 months we have placed significant focus on the management of all business costs. As a result, business operational and capex costs have not increased proportionately with revenue increases. The formula for success in achievement of both our short and long-term goals is scaling our costs downward as a percentage of revenue. An example of this is headcount in our business. It did not increase in 2009 and outside of sales/marketing will not increase in 2010. Our CFO will continue to work closely with myself and department heads to fine-tune our cost-scaling and to ensure our business is running efficiently in all areas.

Achievement of the above will deliver our maiden EBITDA profit in 2010 and put the business is an excellent position to meet the three year budgets for the revenue, gross profit, EBITDA and net profit lines.

The company's long-term goals will focus on the launch of Australia's first commercial satellite, Jabiru-1. We have spent the last two years researching markets, creating business plans, financially modeling and working closely with the key suppliers to bring the project to an advanced point. There is much work to be done on Jabiru-1 over the next 12 months. We will attack this project with aggression and vigor during the period ahead. We will leverage NewSat's existing assets, market position and future customer needs in growing our core business and expanding our markets. To be more specific, we will put a heavy focus on building the potential customer demand register in targeted zones. This will be done in alignment with our core business marketing and sales.

Chief Executive Officer's Report

While we are satisfied with our results and growth in the 2009 financial year there has been significant vision over the past few years to build NewSat into a consistent year-on-year highly profitable company in the future. The result of that vision and hard work is now starting to translate into financial success. 2009 is simply the beginning of a new era and the future is now.

In closing, I would like to acknowledge the hard work, leadership and contributions of the NewSat Directors and staff. The teamwork demonstrated by the NewSat family is second to none. It has been an important ingredient in our success over the past 12 months and will remain a key element for the future.

Adrian Ballintine
Chief Executive Officer

30 September 2009

Directors' Report

The Board of Directors of NewSat Limited submits its report in respect of the financial year ended 30 June 2009.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. (Directors were in office for this entire period unless otherwise stated, and there were no Directors of NewSat Limited other than the below in the three year period ended 30 June 2009).

Richard R Green (Non-Executive Chairman)

Richard R Green was appointed Chairman of the Group on 27 August 2009. He has spent over 40 years in stock broking corporate finance, specialising in small to medium enterprises handling listings, mergers and acquisitions.

During the past three years Mr Green has also served as Director of the following other listed companies:

- VentureAxess - Appointed 21 April 2008;
- Dromana Estates - Appointed 18 October 1999; Resigned 1 September 2008;
- Authorised Investment Fund - Appointed 11 March 1998; Resigned 2 September 2008; and
- Queensland Trustees & Investment Limited - Appointed 10 April 1996.

Adrian M Ballintine (Founder and Chief Executive Officer)

Adrian M Ballintine founded NewSat Limited in 1988 originally as Pan Pacific Solutions. When the Company was listed in 1999, Mr Ballintine was initially appointed Chairman and CEO, before resigning as Chairman in 2001. Mr Ballintine has successfully established various enterprises in the information technology sector including Gupta Technologies Inc. and Asymetrix.

John H Walker (Non-Executive Director)

John H Walker was appointed Chairman of the Group on 23 May 2001 and also serves on the Audit, Remuneration and Nomination committees of the Group. He was previously the Managing Director of Thrifty Car Rental as well as councilor on Woollahra Council, NSW. Mr Walker gained significant senior management experience with Westpac Banking Corporation, Liverpool City Council, Domino's Pizza (Australia) and the West Australian Football League. John stepped down from his position as Chairman of the Group on 27 August 2009. He is currently Executive Chairman and CEO of Planet Power Energy Ltd.

During the past three years Mr Walker has also served as Director of the following other listed companies:

- Planet Power Energy Ltd - Appointed April 2009

Elwood C Ellison (Non-Executive Director)

Elwood C Ellison was appointed director on 14 June 2002 and brings over 20 years of experience in sales and marketing in high technology companies including Microsoft, Ashton-Tate, Gupta Technologies Inc. and Asymetrix. At Ashton-Tate, he was responsible for the sales strategies that resulted in revenue growing from less than US$20m to over US$300m in four years. As Vice President of Sales and Marketing at Gupta Technologies Inc. he lead the company's expansion into new channels and markets resulting in a successful initial public offering.

Christopher M North (Non-Executive Director)

Chris North was appointed director on 20 December 2007. He is currently a director of Unwired Limited, Managing Director of international telecommunications consulting firm, Wattle Park Partners Pty Ltd as well as founding Director of the WiMAX Spectrum Owner's Alliance (WiSOA). Chris was a senior career executive with the Australian Government for 25 years, including being chief-of-staff to two Ministers. Chris resigned from the company as of 17 March 2009.

Directors' Report

COMPANY SECRETARY

Adam Shapiro was appointed Company Secretary on 7 May 2007. He has been a member of the American Institute of Certified Public Accountants for the past 11 years.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of NewSat Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
R R Green	5,400,000	-
A M Ballintine	38,008,976	100,000,000
J H Walker	999,999	75,000,000
E C Ellison	637,511	50,000,000

DIVIDENDS

There were no dividends paid during the year and the Directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated group were the provision of satellite broadband & communication services.

OPERATING AND FINANCIAL REVIEW

Review & Results of Operations

The NewSat Limited Board of Directors is pleased to report a much improved group performance for the year ended 30 June 2009. As announced to the market during the period by the Directors a strong business turnaround in group performance occurred and is continuing into the 2010 financial year.

Revenue from ordinary activities increased 46% from $13.6 million to $19.9 million. Gross Margin increased 76% from $5.4 million to $9.5 million demonstrating an increase in business margins during the year. The loss from continuing operations before depreciation, amortisation, finance costs and tax (EBITDA) decreased by 86% from a loss of $6.9 million to a loss of $1 million.

Business cashflow improved significantly during the period. In the same corresponding period last financial year there was a cash outflow from operating activities of $4.8 million in comparison to the current period where there was a 99% turnaround to a cash outflow of $31k.

The company increased its annuity revenue streams significantly during the first half of the financial year and continued to add new business contracts during the second half of the year whilst minimising contract churn.

Over the last 12 months, the company leveraged off the engineering facilities at its two earth stations in Perth and Adelaide and global sales resources to gain oil, mining and gas contract revenues both through wholesale and direct retail channels. Significant contract growth was both within domestic and offshore remote regions with 100% of the business growth from corporate contracts. The focus on corporate growth resulted in a decrease to the total amount of new customer contracts gained in the business but with higher grade new contracts won a significant increase to total revenues and higher gross margins were achieved.

In the 2009 financial year all operating cost lines were monitored closely and contained to remain static and in some cases reduced. Management will continue to examine costs during the 2010 financial year in an effort to maximise cashflow as the business moves into profitability.

The company has continued to progress research and development initiatives on the satellite launch project (Jabiru Project). Whilst the project moves forward this has no impact on the financial results during the period.

As NewSat is in the midst of moving up the chain of emerging growth companies in Australia, the Directors will continue to update the market on business progress during the first quarter of the 2010 financial year.

Directors' Report

	2009 $'000	2008 $'000
Revenues from ordinary activities	19,905	13,602
Gross Profit	9,472	5,391
Loss from operations before depreciation, amortisation, finance costs and tax (EBITDA)	(993)	(6,864)
Net loss from operations	(2,960)	(8,132)
Cashflow from Operating Activities	(31)	(4,838)

REVIEW OF FINANCIAL CONDITION

Liquidity and Capital Resources

The consolidated cash flow statement illustrates an increase in cash and cash equivalents in the year ended 30 June 2009 of $99,000 (2008: $564,000). The increase in cash inflow in comparison with the prior year is caused by a number of factors. Operating activities generated $31,000 (2008: $4.84m) of net cash outflow. The net cash outflow from investing activities of $805,000 (2008: $1.74m cash outflow) is mainly attributable to the purchase of property, plant & equipment. There was also a net $935,000 cash inflow (2008: $7.15m) from financing activities largely due to proceeds from equity financing during the year.

Share issues during the year

There were 1,121,915,000 ordinary shares with a fair value of between $0.0020 and $0.0025 per share issued during the year.

Profile of Debts

The profile of the Group's debt finance is as follows:

	2009 $'000	2008 $'000
Current		
Convertible and converting notes	-	980
Government Loan for Kimberley Project	680	1,580
	680	2,560

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and the sub-committees further examine the issue and report to the Board.

The Board embraces a number of mechanisms to ensure management's objectives and activities are aligned with the risks identified by the Board. These include:

- Board approval of a strategic plan designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs.
- The establishment of committees to report on specific business risks.

Directors' Report

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

	2009 $'000
An increase in contributed equity of $2,200,330 (from 119,936,987 to 122,137,317) as a result of:	
Issue of 621,915,000 ordinary shares with a fair value of between 0.002 and 0.005	1,249
Issue of 500,000,000 full paid ordinary shares at 0.002	1,000
Less: Transaction costs arising on share issues	(49)
	2,200

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Having divested all non-core assets, the Group will continue to focus on the growth of both the consumer and corporate sectors of its satellite communications business.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is not subject to any particular or significant environmental regulations.

SHARE OPTIONS

Unissued shares

As at the date of this report, there were 258,000,000 unissued ordinary shares under options (258,000,000 at the reporting date).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

Shares issued as a result of the exercise of options

No options have been exercised by employees and executives during the year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

In accordance with paragraph 99 of the Company's constitution, adopted at the General Meeting on 21 June 1999, the Company indemnified every person, who is or has been an officer of the Company, which includes Directors, against any liability incurred by that person in his or her capacity as an officer of the Company. The Board elected not to obtain insurance in respect of the indemnification prior to 12 February 2007.

On 30 April 2009, the Company renewed its annual insurance premium of $91,125 to insure liabilities of legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and officers in their capacity as Directors and officers of entities in the consolidated entity and any other payments arising from liabilities incurred by the officers in connection with such proceedings. Liabilities arising out of conduct involving a willful breach of duty by the officers, or the improper use by the officers of their position, or of information to gain advantage for themselves, or someone else, or to cause detriment to the Company, are not insured.

Directors' Report

DIRECTORS' MEETINGS

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

		Meetings of Committees		
	Directors' Meetings	Audit	Remuneration	Nomination
Number of meetings held:	12	2	2	1
Number of meetings attended:				
J H Walker	12	2	2	1
A M Ballintine	12	0	2	1
E C Ellison	11	0	2	0
C M North**	8	2	0	0

** Chris North was the Chairman of the Audit Committee up to his resignation on 17 March 2009. John Walker became the Chairman of Audit Committee.

Committee membership

As at the date of this report, the company had an Audit Committee, a Remuneration Committee and a Nomination Committee of the Board of Directors. Members acting on the committees of the Board during the year were:

Audit	Remuneration	Nomination
J H Walker (c)	J H Walker (c)	J H Walker
A M Ballintine	A M Ballintine	A M Ballintine (c)
	E C Ellison	

Notes

(c) Designates the chairman of the committee.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received the Auditor's Independence Declaration from Ernst & Young (page 22) and it is deemed to be part of this Directors' Report.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of NewSat Limited support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained on page 23 to 27 of this annual report.

Directors' Report

REMUNERATION REPORT (Audited)

This report outlines the remuneration arrangements in place for directors and executives of NewSat Limited (the company). This report also provides the audited disclosure required by Corporation Regulations 2.M.6.04.

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and 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 portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks; and
- Establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration committee

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer (CEO) and the senior management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior 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 Board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and executive remuneration is separate and distinct.

Relationship of Rewards to Performance

The company's core business during the past 5 financial years has been predominantly as a satellite communications service provider. As has been the case in those years, increase in shareholder wealth will for the foreseeable future be dependent on the improvement in the company's earnings and share price. Accordingly variable remuneration and long term incentives presently consist of options over unissued shares in the company.

	2009	2008	2007	2006	2005
Earnings Per Share (cents per share)	(0.047)	(0.16)	(0.21)	(0.42)	(0.89)

Non-Executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 16 November 2007 when shareholders approved an aggregate cash and superannuation remuneration of $400,000 per year. Additionally, all share based payments granted to Directors are approved by shareholders at a general meeting prior to issuance.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Directors' Report

Each Director receives a fee for being a Director of the company. An additional fee is also paid for each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by Directors who serve on one or more sub committees.

Non-Executive Directors are encouraged by the Board to hold shares in the company (purchased by the Director on market). It is considered good governance for Directors to have a stake in the company on whose board they sit undertaken only in accordance with the Company's code of conduct for trading in the Company's securities.

The remuneration of Non-Executive Directors for the period ending 30 June 2009 is detailed in Table 1 on page 18 of this report.

Senior manager and executive Director remuneration

Objective

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

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

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee engaged an external consultant to provide independent advice both in the form of a written report detailing market levels of remuneration for comparable executive roles and by participating in the meeting from which the Committee makes its recommendations to the Board.

It is the Remuneration Committee's policy that an employment contract is entered into only with the Chief Executive Officer and Chief Financial Officer and not with any other executives. Details of the contracts are provided on pages 14 and 15.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration
  - Short Term Incentive Plans (STIP); and
  - Long Term Incentive Plans (LTIP).

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior manager by the Remuneration Committee. Table 1 on page 18 details the fixed and variable components (%) of the key management personnel of the Group.

Fixed Remuneration

Objective

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Committee has access to external advice independent of management.

Structure

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The fixed remuneration component of the key management personnel of the Group are detailed in Table 1 on page 18.

Directors' Report

Variable Remuneration — Short Term Incentive Plans (STIP)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Group is reasonable in the circumstances.

Structure

Actual STIP payments granted to each Senior Manager depend on the extent to which specific Operating Targets set at the beginning of the financial year are met. The Operational Targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial measures of performance. Typically included are measures such as EBITDA against budget, customer service, risk management, product management, and leadership/team contribution. These measures were chosen as they represent the key drivers for short term success of the business and provide a framework for delivering long term value. The Group has predetermined benchmarks that must be met in order to trigger payments under the STI scheme.

On an annual basis, after consideration of performance against KPIs, an overall performance rating for the Group and each individual business unit is approved by the Remuneration Committee. The individual performance of each executive is also rated and all three ratings are taken into account when determining the amount, if any, of the short term incentive pool that is to be allocated to each executive. This process usually occurs within 3 months after the reporting date. Payments made are delivered as a cash bonus in the following reporting period.

Variable Pay — Long Term Incentive Plan (LTIP)

Objective

The objective of the LTIP plan is to reward senior executives in a manner that aligns this element of remuneration with the creation of shareholder wealth.

As such, LTIP grants are only made to executives who are able to influence the generation of Shareholder wealth and thus have a direct impact on the Group's performance against the relevant long term performance hurdle.

Structure

LTIP grants to executives are delivered in the form of options under the Shareholder approved Staff and Executive Option Plans.

Specific Disclosure

This report covers the key management personnel of the Company and the Group. This includes the Directors of the Company and the three highest paid executives of the Group.

Employment contracts

Remuneration and other employment terms for the CEO and other key management personnel are formalised in a contract of employment. The major remuneration provisions of the contracts are set out below:-

Adrian Ballintine - Chief Executive Officer

- Term of Agreement – 1 April 2009 to 1 April 2010.
- The contract comprising fixed compensation and short and long term incentives may be extended for 1 year by mutual agreement.
- Where termination with cause occurs, only the fixed compensation is payable up to the date of termination.
- Either party may terminate the agreement on 12 months notice provided that the Company can terminate immediately for misconduct.

Directors' Report

Adam Shapiro - Chief Financial Officer/Company Secretary

- Term of Agreement – 6 May 2009 to 6 May 2011
- Either party may terminate the agreement on 9 months notice provided that the Company can terminate immediately for misconduct.
- No termination payments are applicable.

Michael Kenneally – Vice President of Planning & Development

- Term of Agreement – unspecified.
- Either party may terminate the agreement on 2 months notice provided that the Company can terminate immediately for misconduct.
- No termination payments are applicable.

Len McGoldrick - Vice President of Engineering and Operations

- Term of Agreement – unspecified.
- Either party may terminate the agreement on 2 months notice provided that the Company can terminate immediately for misconduct.
- No termination payments are applicable.

Andrew Matlock - Vice President of Sales & Marketing

- Term of Agreement – unspecified.
- Either party may terminate the agreement on 3 months notice provided that the Company can terminate immediately for misconduct.
- No termination payments are applicable.

Directors' Report

Remuneration of key management personnel

Table 1: Remuneration for the years ended 30 June 2008 and 2009

Remuneration for the year ended 30 June 2009

	Short term benefits			Post employment	Share based payments		Total	%
	Cash Salary & Fees	Short term cash incentive	Non monetary benefits	Super-annuation	Options #	Shares		Performance related
Non-executive directors								
J H Walker - Chairman	180,000	-	-	-	31,117	-	211,117	15%
E C Ellison	58,500	-	-	-	23,280	-	81,780	28%
C M North (Resigned 17 March 2009)	33,333	-	-	-	10,657	-	43,990	24%
Sub-total non-executive directors	271,833	-	-	-	65,054	-	336,887	
Executive director								
A M Ballintine	412,844	-	30,509	37,156	46,560	-	527,069	9%
Other key management personnel								
A Shapiro - Chief Financial Officer	229,358	-	4,800	20,642	16,965	-	271,765	6%
A Matlock - VP Sales & Marketing	160,550	199,964	4,800	32,446	8,178	-	405,938	51%
M Kenneally - VP Planning & Development	138,354	30,000	-	12,452	-	20,000	200,806	25%
L McGoldrick - VP Engineering & Operations	161,150	-	13,850	15,750	3,393	-	194,143	2%
Sub-total executive KMP	1,102,256	229,964	53,959	118,446	75,096	20,000	1,599,721	
Totals	1,374,089	229,964	53,959	118,446	140,150	20,000	1,936,608	

value includes unvested options.

Directors' Report

Table 1: Remuneration for the years ended 30 June 2008 and 2009 (continued)

Remuneration for the year ended 30 June 2008

	Short term benefits			Post employment	Share based payments		Total	%
	Cash Salary & Fees	Short term cash incentive	Non monetary benefits	Super-annuation	Options #	Shares		Performance related
Non-executive directors								
J H Walker - Chairman	170,613	-	-	60,000	145,904	-	376,517	39%
E C Ellison	45,000	-	-	-	99,910	-	144,910	69%
C M North (Resigned 17 March 2009)	26,478	-	-	-	3,021	-	29,499	10%
Sub-total non-executive directors	242,091	-	-	60,000	248,835	-	550,926	
Executive director								
A M Ballintine	398,163	150,000	25,502	35,835	199,820	-	809,320	43%
Other key management personnel								
A Shapiro - Chief Financial Officer	227,328	-	4,865	20,459	19,574	-	272,226	7%
C Frith - Chief Operating Officer*	176,037	-	3,063	12,615	-	-	191,715	0%
M Kenneally - VP Planning & Development	185,839	-	-	16,725	5,872	-	208,436	3%
A Matlock - VP Sales & Marketing **	9,033	-	258	803	465	-	10,559	4%
L Willis - VP Engineering & Operations ***	229,358	-	-	20,642	7,830	-	257,830	3%
Sub-total executive KMP	1,225,758	150,000	33,688	107,079	233,561	-	1,750,086	
Totals	1,467,849	150,000	33,688	167,079	482,396	-	2,301,012	

value includes unvested options.
* Ceased to be key management 10 June 2008.
** Appointed 11 June 2008.
*** Ceased to be key management 1 July 2008,

Directors' Report

Remuneration of key management personnel

Table 2: Compensation options: Granted and vested during the year (Consolidated)

	Granted	Terms & Conditions for each Grant						Vested
	No.('000)	Grant Date	Fair Value per option at grant date ($) (note 15)	Exercise price per option ($) (note 15)	Expiry Date	First Exercise Date	Last Exercise Date	No.('000)
Year Ended 30 June 2009								
Directors								
J H Walker	-	-	-	-	-	-	-	-
A M Ballintine	-	-	-	-	-	-	-	-
E C Ellison	-	-	-	-	-	-	-	-
C M North*	-	-						
Executives								
A Shapiro	-	-	-	-	-	-	-	-
A Matlock	-	-	-	-	-	-	-	-
M Kenneally	-	-	-	-	-	-	-	-
L McGoldrick	-	-	-	-	-	-	-	-
Total	-							-

* Resigned 17 March 2009

	Granted	Terms & Conditions for each Grant						Vested
	No.('000)	Grant Date	Fair Value per option at grant date ($) (note 15)	Exercise price per option ($) (note 15)	Expiry Date	First Exercise Date	Last Exercise Date	No.('000)
Year Ended 30 June 2008								
Directors								
J H Walker	-	-	-	-	-	-	-	-
A M Ballintine	-	-	-	-	-	-	-	-
E C Ellison	-	-	-	-	-	-	-	-
C M North**	35,000	01-Apr-08	0.0007	-	30-Jun-12	01-Apr-10	30-Jun-12	-
Executives								
A Shapiro	-	-	-	-	-	-	-	-
A Matlock	-	-	-	-	-	-	-	-
M Kenneally	-	-	-	-	-	-	-	-
A Matlock	-	-	-	-	-	-	-	-
L Willis	-	-	-	-	-	-	-	-
Total	35,000							-

* Subject to Company's market capitalisation as outlined in the Explanatory Memorandum in Notice of General Meeting of 19 June 2007.
** Chris North's options were forfeited upon his resignation on 17 March 2009

Directors' Report

NON-AUDIT SERVICES

NewSat may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (Ernst & Young) for audit and non-audit services provided during the year are set out in Note 24 of the financial report.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 24 of the financial report, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Signed in accordance with a resolution of the Directors.

ADRIAN BALLINTINE
Director & CEO
Melbourne

30 September 2009

Independence Declaration
To the Directors of NewSat Limited

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of NewSat Limited

In relation to our audit of the financial report of NewSat Limited for the 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.

Robert Dalton
Partner
Melbourne
Ernst & Young
30 September 2009

Corporate Governance Statement

NewSat supports the Australian Stock Exchange Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company's governance framework was reviewed during the year to ensure consistency with the recommendations and the Company and its controlled entities are working together referred to as the Group in this statement. NewSat does however recognise that its ability to achieve all the best practice recommendations is limited in part by restraints of size and cost. The 8 principles of the recommendations were in place during the entire 2009 year unless otherwise stated.

Principle 1 – Lay solid foundations for management and oversight

The NewSat Board is responsible for the overall corporate governance of the Group including responsibility to:

- Providing strategic guidance for the Group, the setting and monitoring of goals and objectives and the effectiveness oversight of management to maximise shareholder wealth;
- Select and appoint Directors and ratify the appointment of senior management;
- Approve the annual budget and monitor financial performance;
- Ensure significant business risks are identified and managed;
- Ensure adequate internal controls exist and are monitored for compliance;
- Approve divestments and acquisitions; and
- Ensure compliance of the Group's accounts with relevant accounting standards and their true and fair presentation.

The Chief Executive Officer has delegated responsibility for operating and administering the Group and is accountable to the Board for the performance of these duties.

Principle 2 – Structure of the Board to add value

NewSat makes sure it has a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties. The Board facilitates the efficient discharge of the duties imposed by law on the Directors and adds value in the context of the Company's specific circumstances.

The Board is structured in such a way that it:

- Has a proper understanding of, and competence to deal with, the current and emerging issues of the business; and
- Can effectively review and challenge the performance of management and exercise independent judgement.

Directors' Independence

To be deemed independent, a Director must be a non-executive and:

- Not be a substantial shareholder of the company or an officer of, otherwise associated directly with, a substantial shareholder of the company;
- Within the last three years, not have been employed in an executive capacity by the company or any other group member, or been a Director after ceasing to hold any such employment;
- Within the last three years, not have been a principal of a material professional adviser or a material consultant to the Company or any other group member, or an employee materially associated with the service provided;
- Not be a material supplier or customer of the Company or any other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Must have no material contractual relationship with the Company or a controlled entity other than as a Director of the Group;
- Not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- Be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Corporate Governance Statement

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 5% of annual turnover of the Company or Group or 5% of the individual Directors' net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the Directors' performance.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of NewSat Limited are considered to be independent:

Name	**Position**
John Walker	Chairman, Non-executive Director
Elwood Ellison	Non-executive Director
Chris North	Non-executive Director (Resigned 17 March 2009)

In January 2004, the Directors established a nomination committee.

The charter for the Company's nomination committee as reviewed during 2009 is:

- To advise the Board on Directorship appointments, with particular attention to the qualifications and expertise of proposed appointees using the Procedure for selection and appointment of new Directors as defined below;
- To review and advise the Board on the performance of the Chief Executive Officer;
- To make recommendations to the Board on the appointment of the successor to the Chief Executive Officer
- To establish a process for the regular evaluation of the Board, its committees and individual Directors and to assess regularly the effectiveness of the process;
- To review and advise the Remuneration Committee annually on:
  - Chief Executive Officer's remuneration; and
  - Non Executive Officers remuneration
- To review annually, the Board's required mix of expertise and desirable competencies;
- To develop and implement a process for the orientation and education of new Directors; and
- To review management's recommendations and advise the Board on succession plans for key senior positions within the Company.

Principle 3 – Promotion of ethical and responsible decision-making

In June 2004, the Board of NewSat approved a code of conduct, further revised during 2008, to guide the Directors, the CEO and the CFO. This code has established the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals and investigating reports of unethical practices.

The code of conduct covers;

- Conflicts of interest;
- Corporate opportunities;
- Fair dealing;
- Protection and proper use of the company's assets;
- Compliance with laws and regulations; and
- Encourage the report of unlawful/unethical behaviour.

Additionally the policy concerning trading in Company securities by Directors, Officers and employees established in 2003 is reviewed annually.

Corporate Governance Statement

The main provisions of this policy are that it:

- Provides a clear identification of Directors, Officers, employees or group of employees who are restricted from trading ("designated officers");
- Identifies and raises awareness about the prohibitions under the law and the requirements of the policy;
- Requires designated Officers to provide notification to the Chairman of the Company of intended trading except for dividend reinvestment and the like;
- Requires subsequent confirmation of the trading that has occurred;
- Identifies when trading windows or blackouts are used and details of their application;
- Specifies whether there is any discretion to permit trading by designated officers in specific circumstances (e.g. financial hardship) details of such circumstances, and the basis upon which discretion is applied;
- Specifies whether the Company prohibits designated officers from trading in financial products issued or created over the Company's securities by third parties, or trading in associated products; and
- Specifies whether the Company prohibits designated Officers from entering into transaction in associated products which operate to limit the economic risk of their security holding in the Company.

Principle 4 – Safeguard integrity in financial reporting

NewSat has created a structure which independently verifies and safeguards the integrity of the Company's financial reporting. This is done through a process of review and authorisation designed to ensure the truthful and factual presentation of the Company's financial position.

This includes the review and consideration of the accounts by the Audit Committee. The structures do not diminish the ultimate responsibility of the Board to ensure the integrity of the Company's financial reporting. Due to the size of the Board of Directors, the Audit Committee comprises 3 of the Directors.

The Company ensures the CEO and CFO, state in writing to the Board that the financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

The Audit Committee has the following formal charter.

In carrying out the Audit function, the Audit Committee:

- Is responsible for nominating the external auditor to the Board for appointment by shareholders. The Audit Committee approves the terms of the contract with the external auditor, agrees the annual audit plan and approves payments to the external auditor.
- Monitors and reviews and non audit work carried out by the external auditors.
- Reviews accounting policies to ensure compliance with current laws, relevant regulations and accounting standards.
- Conducts any investigations relating to financial matters, records, accounts and reports which it considers appropriate.
- Reviews all material matters requiring exercise of judgement by management and reports those matters to the Board.
- Ratifies the Group's operational risk policies for approval by the Board and reviews and informs the Board of the measurement and management of operational risk. Operational risk is a basic line management responsibility within the Group consistent with the policies established by the Committee's Corporate Governance Statement.
- Considers, in the absence of management and the external auditor, the quality of the information received by the Committee and, in considering the financial statements, discusses with management and the external auditor:
  - The financial statements and their conformity with accounting standards, other mandatory reporting requirements and statutory requirements; and
  - The quality of the accounting policies applied and any other significant judgements made.
- Discusses and receives assurances from the external auditors on the quality of the Company's systems, its account processes and its financial results. It also receives a report from the Auditor on any significant matters raised by the Auditors with management.
- All material accounting matters requiring exercise of judgement by management are specifically reviewed by the Audit Committee and reported on by the Committee of the Board.

Corporate Governance Statement

NewSat established in June 2004 the following procedures for the selection and appointment of the External Auditors:

- The Committee considers whether the external audit should be tendered.
- In making this decision, the Committee considers (among other things) the performance of the auditor and the independence of the auditor. The Committee's recommendation as to whether the audit should be tendered, or whether the auditor should be reappointed, will be put to the Board for their approval.
- If a tender is undertaken, all work on the tender will be undertaken by the Committee. Any subsequent recommendation for the appointment of the external auditor will be put to the Board and then if a change is approved it will be put forward to shareholders for their approval.
- The company ensures no direct past or present has any association with the Company's external auditors.

Principle 5 – Make timely and balanced disclosure

NewSat promotes timely and balanced disclosure of all material matters concerning the Group and a written policy and process to ensure compliance with the ASX listing rules such that:

- All investors have equal and timely access to information concerning the Company including its financial position, performance, ownership and governance; and
- Company announcements are factual and presented in a clear and balanced way i.e. disclosure of both negative and positive information.

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance and the continuous disclosure of requirements in the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Principle 6 – Respect the rights of shareholders

NewSat respects the rights of shareholders and endeavours to facilitate the effective exercise of those rights and the Company empowers its shareholders by communicating with them through:

- The annual report which is distributed to all shareholders;
- The annual general meeting and other meeting so called to obtain approval for Board action as appropriate;
- The shareholder newsletter; and
- The website which will:
  - Provide ready access to balanced and understandable information about the company and corporate proposals
  - Provide information including press releases, announcements and financial data.

Principle 7 – Recognise and manage risk

NewSat Limited maintains a system of risk oversight and management and internal control. The system has been designed to identify, assess, monitor and manage risk.

This structure enhances the environment for identifying and capitalising on opportunities to create value.

The Audit Committee manages this process through a risk management structure, headed by the CFO which answers directly to it.

Corporate Governance Statement

The CEO and CFO confirm annually to the Board in writing that:

- Best practice recommendations are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

All policies are agreed, by the Board that describe the roles and respective accountabilities of the Board, Audit Committee CFO, Risk Manager, Senior Management and any internal audit and risk management functions.

These policies include oversight and awareness, risk profile, risk management, compliance and control and assessment of effectiveness as defined below:

1. Oversight of the risk management – The Board has overseen the establishment and implementation of a risk management system and will review at least annually the effectiveness of this system.
2. Develop an awareness of the principles of risk management – NewSat has developed and implemented an infrastructure to ensure that management of risk becomes integral part of the planning management processes and generally culture of the company.
3. Risk Profile – a description of the material risks facing the Company has been identified, drafted and agreed. These risks included evaluating, treating and managing material risk through the Company. This system includes the Company's internal compliance and control systems.
4. Risk Management and compliance & control – Management has established and implemented a system for analysing, evaluating, treating and managing material risk throughout the Company. This system includes the Company's internal compliance and control systems.
5. Assessment of effectiveness – The Company has designed a means of analysing the effectiveness of its risk management and internal compliance and control systems and of the effectiveness of their implementation. This is done by the CFO who supervises a management and internal audit review process which then answers to the Audit Committee.

Principle 8 – Remunerate fairly and responsibly

The Company has adopted remuneration policies that attract and maintain talented and motivated Directors and employees so as to encourage enhanced performance of the Company. There is a clear relationship between performance and remuneration, and that the policy underlying executive remuneration. A written policy and Remuneration Committee Charter reflecting these practices was adopted by the Directors in June 2005.

The Board established Remuneration Committee charter is to review and make recommendations to the Board on:

- Non-executive Directors and the Chief Executive Officer remuneration;
- Executive remuneration and incentive policies including share and share option plans;
- The remuneration packages of senior management;
- The Company's recruitment, retention and termination policies and procedures for senior management;
- Incentive schemes; and
- Superannuation arrangements and other retirement schemes.

Income Statement
FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Operations					
Sale of Goods and Services		19,876	13,500	-	-
Finance Revenue		29	102	20	70
Revenue	5(a)	19,905	13,602	20	70
Cost of Sales		(10,433)	(8,211)	(49)	-
Gross Margin		9,472	5,391	(29)	70
Other Income	5(b)	160	70	160	70
Salaries & Employee Benefits expense	5(c)	(5,644)	(5,493)	(1,583)	(1,767)
Share Based Payments (non cash)	5(c)	(193)	(484)	(193)	(484)
Sales and Marketing expense		(1,276)	(904)	(274)	(305)
Occupancy expense	5(d)	(545)	(677)	(282)	(426)
Other expenses	5(e)	(2,967)	(3,585)	(1,443)	(2,147)
Gain / (loss) on Debt Forgiveness	16	-	-	3,390	(3,373)
Specific Items	5(f)	-	(1,182)	-	(1,182)
Loss from operations before depreciation, finance costs and tax		(993)	(6,864)	(254)	(9,544)
Depreciation and Amortisation expense	5(g)	(1,630)	(1,613)	(83)	(130)
Finance Costs	5(h)	(337)	(175)	(335)	(175)
Loss from operations before income tax		(2,960)	(8,652)	(672)	(9,849)
Income Tax Benefit	6	-	520	-	-
Loss from operations after income tax		(2,960)	(8,132)	(672)	(9,849)
Loss attributable to members of the parent		(2,960)	(8,132)	(672)	(9,849)
Earnings per share (cents per share)	7				
– basic and diluted for loss for the year attributable to ordinary equity holders of the parent		(0.047)	(0.160)		
– basic and diluted for loss from continuing operations attributable to ordinary equity holders of the parent		(0.047)	(0.160)		

The above income statement should be read in conjunction with the accompanying notes.

Balance Sheet
AS AT 30 JUNE 2009

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
ASSETS					
Current Assets					
Cash and cash equivalents	8	1,927	1,828	1,331	217
Trade and other receivables	9	2,944	2,249	-	-
Inventories	10	597	645	-	-
Prepayments		246	233	49	72
Other financial assets	11	359	338	220	225
Total Current Assets		6,073	5,293	1,600	514
Non-current Assets					
Other financial assets	11	-	4	-	-
Investment in subsidiary		-	-	14,185	14,185
Property, plant and equipment	12	6,996	7,639	97	151
Intangible assets and goodwill	13	8,727	8,808	-	-
Total Non-current Assets		15,723	16,451	14,282	14,336
TOTAL ASSETS		21,796	21,744	15,882	14,850
LIABILITIES					
Current Liabilities					
Trade and other payables	16	4,396	2,617	675	419
Interest-bearing loans and borrowings	18	-	980	-	980
Non Interest-bearing loans / government grants	18	680	1,580	-	-
Income tax payable		324	322	-	-
Provisions	19	762	642	406	395
Deferred income	17	1,699	1,036	-	-
Other post-employment benefit liability		81	70	81	70
Total Current Liabilities		7,942	7,247	1,162	1,864
Non-current Liabilities					
Provisions	19	112	163	56	18
Total Non-current Liabilities		112	163	56	18
TOTAL LIABILITIES		8,054	7,410	1,218	1,882
NET ASSETS		13,742	14,334	14,664	12,968
EQUITY					
Equity attributable to equity holders of the parent					
Contributed equity	20	122,137	119,937	122,137	119,937
Retained earnings	20	(110,916)	(107,956)	(108,779)	(108,107)
Reserves		2,521	2,353	1,306	1,138
Parent interests		13,742	14,334	14,664	12,968
TOTAL EQUITY		13,742	14,334	14,664	12,968

The above balance sheet should be read in conjunction with the accompanying notes.

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts from customers		18,748	13,307	-	-
Payments to suppliers and employees		(18,808)	(18,517)	(3,204)	(5,389)
Interest received		29	102	20	70
Receipts from government grant		-	270	-	70
Net cash flows from operating activities	8	(31)	(4,838)	(3,184)	(5,249)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		-	44	-	44
Purchase of property, plant and equipment	12	(805)	(1,790)	(29)	(48)
Advance (to)/from controlled entities		-	-	3,390	(912)
Net cash flows used in investing activities		(805)	(1,746)	3,361	(916)
Cash flows from financing activities					
Proceeds from issue of shares	20	1,000	500	1,000	500
Proceeds from borrowings (convertible notes)		-	5,665	-	5,665
Proceeds from Government Grants		-	1,445	-	-
Transaction costs of issue of shares	20	(49)	(378)	(49)	(378)
Interest paid		(12)	-	(10)	-
Payment of finance lease liabilities		(4)	(84)	(4)	(84)
Net cash flows from/(used in) financing activities		935	7,148	937	5,703
Net increase in cash and cash equivalents		99	564	1,114	(462)
Cash and cash equivalents at beginning of period		1,828	1,264	217	679
Cash and cash equivalents at end of period	8	1,927	1,828	1,331	217

The above cash flow statement should be read in conjunction with the accompanying notes.

NewSat

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

	Attributable to equity holders of the parent				
CONSOLIDATED	**Issued capital**	**Retained earnings**	**Other Reserves**	**Asset Revaluation Reserve**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 1 July 2008	119,937	(107,956)	1,138	1,215	14,334
Loss for continued operations	-	(2,960)	-	-	(2,960)
Total Income/expense for the period	-	(2,960)	-	-	(2,960)
Shares issued (capital raising)	1,000	-	-	-	1,000
Shares issued (in lieu of cash)	124	-	-	-	124
Convertible note conversion	1,125	-	-	-	1,125
Cost of capital raising	(49)	-	-	-	(49)
Share based payments	-	-	168	-	168
At 30 June 2009	122,137	(110,916)	1,306	1,215	13,742
At 1 July 2007	111,158	(99,824)	654	-	11,988
Loss for continued operations	-	(8,132)	-	-	(8,132)
Total Income/expense for the period	-	(8,132)	-	-	(8,132)
Shares issued (in lieu of cash)	1,250	-	-	-	1,250
Convertible note conversion	7,908	-	-	-	7,908
Cost of capital raising	(379)	-	-	-	(379)
Share based payments	-	-	484	-	484
Land and Buildings Revaluation (Net of Tax)	-	-	-	1,215	1,215
At 30 June 2008	119,937	(107,956)	1,138	1,215	14,334

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

	Attributable to equity holders of the parent			
PARENT	**Issued capital**	**Retained earnings**	**Other Reserves**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 1 July 2008	119,937	(108,107)	1,138	12,968
Loss for the period	-	(672)	-	(672)
Total income / expense for the period	-	(672)	-	(672)
Shares issued (capital raising)	1,000	-	-	1,000
Shares issued (in lieu of cash)	124	-	-	124
Convertible note conversion	1,125	-	-	1,125
Cost of capital raising	(49)	-	-	(49)
Share based payments	-	-	168	168
At 30 June 2009	122,137	(108,779)	1,306	14,664
At 1 July 2007	111,158	(98,258)	654	13,554
Loss for the period	-	(9,849)	-	(9,849)
Total income / expense for the period	-	(9,849)	-	(9,849)
Shares issued (in lieu of cash)	1,250	-	-	1,250
Convertible note conversion	7,908	-	-	7,908
Cost of capital raising	(379)	-	-	(379)
Share based payments	-	-	484	484
At 30 June 2008	119,937	(108,107)	1,138	12,968

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1 - CORPORATE INFORMATION

The financial report of NewSat Limited (the Company) for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 30 September 2009. NewSat Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in note 4.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards board. The financial report has also been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

(a) Compliance with IFRS

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

(b) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that they recently been issued or amended but are not yet effective have not been adopted by the group for the annual reporting period ending 30 June 2009. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.	1-Jan-09	The Group operates in only one segment this standard will not impact the Group's Financial Statements post application.	1-Jul-09
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 Operating Segments. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 Presentation of Financial Statements.	1-Jan-09	The changes made by this standard will not impact the Group's Financial Statements post application other than changes to terminology used.	1-Jul-09
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1-Jan-09	The application of this standard will result in the preparation of a statement of comprehensive income and other changes to terminology used.	1-Jul-09
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of "vesting conditions", introducing the term "non-vesting conditions" for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1-Jan-09	The changes proposed by this standard will have no impact on existing share based payment arrangements of the group and recognition of expenses relating to these plans.	1-Jul-09

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 (refer below AASB 2008-6).	1-Jan-09	The Group expects no significant impact to the disclosure or reported results in the Group accounts following adoption of this standard.	1-Jul-09
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1-Jul-09	The Group expects no significant impact to the disclosure or reported results in the Group accounts following adoption of this standard.	1-Jul-09
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments (AASB 4, AASB 7, AASB 1023 & AASB 1038)	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: • quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); • inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and • inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of Improving Disclosures about Financial Instruments (Amendments to IFRS 7) by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	This revision impacts only the disclosure surrounding financial instruments and will have no impact on the reported results of the Group.	1-Jul-09
Amendments to International Financial Reporting Standards	Amendments to IFRS 2	The amendments clarify the accounting for group cash-settled share-based payment transactions, in particular: • the scope of AASB 2; and • the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2—Group and Treasury Share Transactions. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1-Jan-10	The extent of impact of this standard will be limited to the allocation of share based payment expense between the parent company and its subsidiaries. It will therefore only impact the parent company accounts not the financial results of the consolidated Group.	1-Jul-10

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of NewSat Limited and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully 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.

(d) Going Concern

The financial statements have been prepared on a going concern basis. The financial statements disclose the group had an operating loss from continuing operations of $2.96m and net cash outflow from operating activities of $31,000 for the year ended 30 June 2009. This report does not include any adjustment relating to the recoverability and classification of assets and liabilities that might be necessary should the Company not continue as a going concern.

Notwithstanding this statement, the Directors consider that budgeted sales, profits and forecast positive cash flows of the Company's operating entities will be achieved in the expected timeframes.

(e) Significant accounting judgements, estimates and assumptions

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of goodwill and intangibles with indefinite useful lives

The Group determines whether goodwill and intangibles with indefinite useful lives are 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 14.

(ii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, under the assumptions detailed in Note 15.

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Rendering of services

Revenue from a contract to provide services is recognised when the contract of the service is rendered. Revenue received in advance of the provision of the service is deferred until the service is rendered.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(g) Government grants and loans

Government grants are recognised in the balance sheet as a liability when the grant is received.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. They are not credited directly to shareholders' equity.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Forgivable government loans received are deemed to be government grants in accordance with AASB120. Amounts are released to the Income Statement when milestones are met.

(h) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(i) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

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 recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that ownership will transfer to the Group an expiry of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

(j) Cash and cash equivalents

Cash and cash equivalents 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.

(k) Trade and other receivables

Trade receivables, which generally have 7 to 30 day terms, are recognised and carried at original invoice amount less allowance for impairment.

An allowance for impairment is made when there is objective evidence that the Group will not be able to collect the receivable. Bad debts are written off when identified.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis; and

Finished goods and work-in-progress – cost of direct materials.

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.

(m) Foreign currency translation

Both the functional and presentation currency of NewSat Limited and its Australian subsidiaries is Australian dollars ($). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the weighted average 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.

(n) Income tax and other taxes

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. 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 of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference 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 credits 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; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference 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.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

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

- When 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, which 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.

(o) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Land and buildings are measured at fair value.

The policy of measuring land and building at fair value was adopted with effect from 30 June 2008. The previous policy was to measure land and buildings at cost less accumulated depreciation. The new policy was adopted to provide more relevant information of about land and buildings values. The change in accounting policy resulted in an increase in the carrying amount of land and buildings of $1,734,797 at 30 June 2008.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Land - Not Depreciated
Buildings – 15 years
Leasehold improvements - lease term
Plant and equipment – over 2 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Impairment losses are recognised in the income statement.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, or loans and receivables, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(q) Goodwill and intangibles

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's 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.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 114 Segment Reporting.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles

Intangibles assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangibles assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodies in the asset

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to definite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

(r) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(s) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(t) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fee paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

(u) 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.

When 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.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(v) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and (accumulating sick leave) expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees’ services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Employee leave benefits (continued)

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(w) Other post-employment benefits

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred. Contributions are made by the Group in accordance with statutory requirements of each jurisdiction. Contributions by the Group of up to 9% of employee's wages and salaries are legally enforceable in Australia.

(x) Share-based payment transactions

(i) Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

(i) the Executive Officer Option Plan No.3 (EOOP), which provides benefits to directors and senior executives, and

(ii) the Staff Share Option Plan (SSOP), which provides benefits to all employees, excluding senior executives and directors.

Each of these plans has been approved by the Remuneration Committee in a general meeting. Under the Employee Option Plan, the board may offer options to any full time employee.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial pricing model, further details of which are given in note 15.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of NewSat Limited (market conditions).

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. 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. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award 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 modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, 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. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 7).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(z) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses;
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(aa) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current period.

NOTE 3 - FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise receivables, cash and short-term deposit, payables, and convertible notes.

The Group manages its exposure to key financial risks, including interest rate risk and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Of these risks, only credit risk and liquidity risk are of material impact to the Group and as a result no sensitivity analysis has been performed on market risks.

The Group does not enter into derivative transactions, principally interest rate swaps and forward currency options as none of these items are material on everyday operations of the business.

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 and foreign exchange risk and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Risk management is carried out by the consolidated entity's Risk Management Committee under policies approved by the CFO and Board of Directors. The Committee identifies, evaluates and manages financial risks in close co-operation with the consolidated entity's operating units. The CFO provides written principles for overall risk management, as well as policies covering specific areas, such as those identified above.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 3 - FINANCIAL RISK MANAGEMENT (continued)

The consolidated entity and the parent entity hold the following financial instruments at the reporting date :

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Financial Assets					
Cash and Cash equivalents	8	1,927	1,828	1,331	217
Trade and other receivables	9	2,944	2,249	-	-
Other financial assets	11	359	338	220	225
		5,230	4,415	1,551	442
Financial Liabilities					
Trade and other payables	16	4,396	2,617	675	419
Interest-bearing loans and borrowings	18	-	980	-	980
		4,396	3,597	675	1,399

Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, available-for-sale financial assets 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 does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group. The credit risk on cash on hand and cash equivalents and other financial assets is limited because the counterparty is a bank with high credit ratings assigned by international credit rating agencies.

For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the CFO.

Liquidity Risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, preference shares, finance leases and committed available credit lines.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2009.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables, convertible notes and non interest bearing loans mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital eg. inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, NewSat Ltd has established comprehensive risk reporting covering its operating business units that reflects expectations of management of expected settlement of financial assets and liabilities.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 3 - FINANCIAL RISK MANAGEMENT (continued)

Maturity Analysis of financial assets and liabilities based on contractual maturity**

	Carrying Amount		6 months or less		>6 months	
Consolidated	2009 $000	2008 $000	2009 $000	2008 $000	2009 $000	2008 $000
Financial Assets						
Cash and Cash equivalents	1,927	1,828	1,927	1,828	-	-
Trade and other receivables	2,944	2,249	2,944	2,249	-	-
Other financial assets	359	338	359	338	-	-
	5,230	4,415	5,230	4,415	-	-
Financial Liabilities						
Trade and other payables	4,396	2,617	4,396	2,617	-	
Interest-bearing loans and borrowings	-	980	-	980	-	
	4,396	3,597	4,396	3,597	-	
Parent						
Financial Assets						
Cash and Cash equivalents	1,331	217	1,331	217	-	-
Trade and other receivables	-	-	-	-	-	-
Other financial assets	220	-	220	-	-	-
	1,551	217	1,551	217	-	-
Financial Liabilities						
Trade and other payables	675	419	675	419	-	-
Interest-bearing loans and borrowings	-	980	-	980	-	-
	675	1,399	675	1,399	0	0

** Management's expectation is consistent with the contractual maturity profile detailed above.

NOTE 4 - SEGMENT INFORMATION

Geographical segments

The Group operations are predominantly in Australia however revenue is partially achieved from international customers. There are no individual geographic segments outside Australia that generate greater than 10% of Group revenue.

Business segments

The group operates in only one business segment - the Provision of Satellite Broadband & Communication Services. During the year ended 30 June 2009 the Group generated revenue of $19,876,756 (2008: $13,463,172); EBITDA Loss of $993,000 (2008: $6,864,000) and a net result of $2,960,000 (2008: $8,132,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 5 - REVENUES AND EXPENSES

Revenue and Expenses from Operations

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
(a) Revenue				
Sale of goods	742	503	-	-
Rendering of services	18,597	12,960	-	-
Government grants	537	37	-	-
Finance revenue	29	102	20	70
	19,905	13,602	20	70
Breakdown of finance revenue:				
Bank interest receivable	29	102	20	70
Total finance revenue	29	102	20	70
(b) Other income				
Export Marketing Development Grant	160	70	160	70
	160	70	160	70
(c) Employee benefits expense				
Wages and salaries	5,102	4,992	1,431	1,633
Workers' compensation costs	41	14	15	4
Defined contribution plan expense	472	398	119	111
Long service leave provision	29	89	18	19
Employee benefits expense (cash settled)	5,644	5,493	1,583	1,767
Share-based payments expense	193	484	193	484
Employee benefits expense (cash and equity settled)	5,837	5,977	1,776	2,251
(d) Occupancy expenses				
Operating lease expense	468	536	252	328
Other occupancy expense	77	141	30	98
Total occupancy expenses	545	677	282	426
(e) Other expenses				
Consulting Fees	108	169	78	129
Audit and Tax Fees	177	267	177	267
Insurance	271	256	155	136
Legal Fees	224	662	114	407
Director fees	272	303	272	303
Travel expenses	456	546	212	218
Repair & Maintenance	120	31	4	4
Administrative expense	1,255	1,245	506	604
Foreign Currency Loss / (Gain)	84	106	(75)	79
	2,967	3,585	1,443	2,147

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 5 - REVENUES AND EXPENSES (continued)

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(f) Specific Items				
Legal settlement of Switchcorp	-	1,182	-	1,182
	-	1,182	-	1,182
(g) Depreciation and amortisation				
Amortisation of Intangible Assets	81	158	-	-
Depreciation	1,549	1,455	83	130
	1,630	1,613	83	130
(h) Finance costs				
Interest on other loans (including convertible notes)	12	174	10	174
Finance charges payable under finance leases and hire purchase contracts	4	1	4	1
Equity Facility Extension Fee (equity settled)	321	-	321	-
Total finance costs	337	175	335	175

NOTE 6 - INCOME TAX

The major components of income tax expense are:

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Income Statement				
Deferred income tax				
Deferred income tax expense (benefit) ***	-	(520)	-	-
Income tax benefit reported in the income statement	-	(520)	-	-

*** The income tax benefit reported in the income statement for the 2008 financial year related to a deferred tax liability arising on the Land & Buildings revaluation undertaken by NewSat during financial year 2008. NewSat offset this liability against previously unrecognised tax losses.

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Accounting loss before income tax	(2,960)	(8,652)	(672)	(9,849)
At the Group's statutory income tax rate of 30% (2008: 30%)	(888)	(2,596)	(202)	(2,955)
Capital raising cost	15	114	15	114
Tax benefit of losses not brought to account	873	1,962	187	2,841
	-	(520)	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 6 - INCOME TAX (continued)

The Group has unrecognised deferred tax assets arising from tax losses. The benefit of losses is not brought to account as realisation is not probable. The amount of tax losses is not quantified as the amount cannot be reliably determined at this time. Over the next 12 months the Group aims to undertake a project to quantify this amount. The benefit will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

Tax consolidation

NewSat Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 January 2006. NewSat Limited is the head entity of the tax consolidated group.

Tax effect accounting by members of the tax consolidated group

The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. The Group does not have a tax funding agreement and all allocations under UIG 1052 (Tax Consolidation Accounting) are accounted for as equity. No entries were made in the current year (2008:nil).

NOTE 7 - EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the parent (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	CONSOLIDATED	
	2009	2008
	$'000	$'000
Net loss attributable to ordinary equity holders of the parent (used in calculating basic EPS)	(2,960)	(8,132)
	2009	2008
	Thousands	Thousands
Weighted average number of ordinary shares (excluding reserved shares) for basic earnings per share	6,346,459	4,951,039
Effect of dilution:		
Share options *	-	-
Convertible notes	-	-
Weighted average number of ordinary shares (excluding reserved shares) adjusted for the effect of dilution	6,346,459	4,951,039

*Refer to note 15, all share options are non dilutive.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 8 - CASH AND CASH EQUIVALENTS

	CONSOLIDATED			PARENT
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Cash at bank and in hand	1,927	1,828	1,331	217
	1,927	1,828	1,331	217
Reconciliation to Cash Flow Statement				
For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:				
Cash at bank and in hand	1,927	1,828	1,331	217
	1,927	1,828	1,331	217
Reconciliation of net loss after tax to net cash flows from operations				
Net loss	(2,960)	(8,132)	(672)	(9,849)
Adjustments for:				
Depreciation	1,549	1,455	83	130
Amortisation of intangibles	81	158	-	-
Stock Adjustment	(97)	-	-	-
Interest on Convertible Notes (inc. Facility Extension Fee)	321	175	321	174
Interest Expense	12	-	10	-
Settlement of Legal Dispute - equity settled	-	750	-	750
Net (profit)/loss on disposal of property, plant and equipment	-	44	-	8
Allowance for impairment	-	260	-	-
Provision for Debt forgiveness	-	-	(3,390)	3,373
Deferred Income Tax Benefit	-	(520)	-	-
Government grant	(537)	163	-	163
Provision for FBT Expense	-	25	-	26
Share Options expensed	193	484	193	484
Unrealised exchange (loss) gain	(78)	-	(78)	-
Changes in assets and liabilities				
(Increase)/decrease in inventories	48	(14)	-	-
(Increase)/decrease in trade and other receivables	(1,151)	169	-	(844)
(Increase)/decrease in prepayments	(12)	137	23	175
(Decrease)/increase in trade and other payables	2,046	300	466	54
(Decrease)/increase in provisions	554	(292)	(140)	107
Net cash from operating activities	(31)	(4,838)	(3,184)	(5,249)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 9 - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current				
Trade receivables	3,929	2,947	-	14
Allowance for impairment loss (a)	(985)	(698)	-	(14)
	2,944	2,249	-	-
Non-current				
Related party receivables: (b)				
Loan to wholly owned group entities	-	-	-	8,571
Less: Provision for debt forgiveness	-	-	-	(8,571)
	-	-	-	-

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 7-30 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 $287,000 (2008: $260,000) has been recognised by the Group and $nil (2008: $13,623) by the Company in the current year. These amounts have been included in the administrative expense item.

Movements in the provision for impairment loss were as follows:

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At 1st July	698	438	14	14
Charge for the year	287	260	-	-
Amounts written off (included in administrative expenses)	-	-	(14)	-
At 30th June	985	698	-	14

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

		Total	0-30 days	31-60 days	61-90 days PDNI*	61-90 days CI*	90+ days PDNI*	90+ days CI*
2009	Consolidated	3,929	2,094	292	30	29	528	956
	Parent	-	-	-	-	-	-	-
2008	Consolidated	2,947	1,414	359	247	1	229	697
	Parent	14	-	-	-	-	-	14

* Past due not impaired ('PDNI')
Considered Impaired ('CI')

Receivables past due but not considered impaired are : Consolidated $558,000 (2008: $532,000). Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full or related trade payables will be offset with the customer. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Also the Group has no significant concentrations of credit risk. The Group has policy to ensure all sales of products and services are made to customers with an appropriate credit history.

(b) Related party receivables

No interest is charged on loan to wholly owned group entities. For terms and conditions relating to related party receivables refer to note 23.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 10 - INVENTORIES

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Finished goods (at net realisable value)	597	645	-	-
Total inventories at the lower of cost and net realisable value	597	645	-	-

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2009 total $312,890 (2008: $239,486) for the Group and $nil (2008: $nil) for the Parent Company.

NOTE 11 - OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current				
Short term bank guarantee deposit	359	338	220	225
	359	338	220	225
Non-current				
Other financial assets	-	4	-	-
	-	4	-	-

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED			PARENT		
	Freehold land, buildings & leasehold improvements	Plant and equipment	Total	Freehold land, buildings & leasehold improvements	Plant and equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 30 June 2009						
At 1 July 2008, net of accumulated depreciation and impairment	3,144	4,495	7,639	18	133	151
Additions	3	855	858	-	29	29
Other Adjustment	-	48	48	-	-	-
Depreciation charge for the year	(111)	(1,438)	(1,549)	(4)	(79)	(83)
At 30 June 2009, net of accumulated depreciation and impairment	3,036	3,960	6,996	14	83	97
At 1 July 2008						
Cost or fair value	4,099	12,706	16,805	139	4,183	4,322
Accumulated depreciation and impairment	(955)	(8,211)	(9,166)	(121)	(4,050)	(4,171)
Net carrying amount	3,144	4,495	7,639	18	133	151
At 30 June 2009						
Cost or fair value	4,102	13,609	17,711	139	4,212	4,351
Accumulated depreciation and impairment	(1,066)	(9,649)	(10,715)	(125)	(4,129)	(4,254)
Net carrying amount	3,036	3,960	6,996	14	83	97
Year ended 30 June 2008						
At 1 July 2007, net of accumulated depreciation and impairment	1,534	4,121	5,655	64	220	284
Additions	33	1,757	1,790	20	28	48
Disposals	(47)	(40)	(87)	(47)	(4)	(51)
Assets Revaluation	1,735	-	1,735	-	-	-
Depreciation charge for the year	(111)	(1,343)	(1,454)	(19)	(111)	(130)
At 30 June 2008, net of accumulated depreciation and impairment	3,144	4,495	7,639	18	133	151
At 1 July 2007						
Cost or fair value	2,378	10,989	13,367	166	4,159	4,325
Accumulated depreciation and impairment	(844)	(6,868)	(7,712)	(102)	(3,939)	(4,041)
Net carrying amount	1,534	4,121	5,655	64	220	284
At 30 June 2008						
Cost or fair value	4,099	12,706	16,805	139	4,183	4,322
Accumulated depreciation and impairment	(955)	(8,211)	(9,166)	(121)	(4,050)	(4,171)
Net carrying amount	3,144	4,495	7,639	18	133	151

The useful life of the assets was estimated as follows both for 2008 and 2009:

Land	indefinite useful life (not depreciated)
Buildings	15 years
Leasehold improvements	lease term
Plant and equipment	2 to 5 years

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT (continued)

In May 2008, NewSat obtained a 3rd party valuation by Herron, Todd & White Pty Ltd for the Land and Buildings asset class. The total amount of this new valuation was $3,945,000. The uplift in this asset value of $1,734,797 was recorded to the Asset Revaluation Reserve in the Equity account.

During the 2008 financial year, NewSat obtained an independent 3rd party 'new for old' replacement valuation of the plant and equipment asset class, by industry technical experts from Consultel IT&T Pty Ltd. The total amount of the valuation was $18,716,415 as at 30 June 2008. Replacement valuation is not an acceptable method of valuing assets in accordance with AASB 116 'Property, Plant and Equipment' and therefore this amount has not been reflected in the financial statements, but has been included here for information purposes only.

NOTE 13 - INTANGIBLE ASSETS AND GOODWILL

	CONSOLIDATED			PARENT
	Customer Contracts[1]	Goodwill	Total	Total
	$'000	$'000	$'000	$'000
At 1 July 2008				
Cost (gross carrying amount)	1,004	11,206	12,210	-
Accumulated amortisation and impairment	(811)	(2,591)	(3,402)	-
Net carrying amount	193	8,615	8,808	-
Year ended 30 June 2009				
At 1 July 2008, net of accumulated amortisation and impairment	193	8,615	8,808	-
Amortisation	(81)	-	(81)	-
At 30 June 2009, net of accumulated amortisation and impairment	112	8,615	8,727	-
At 30 June 2009				
Cost (gross carrying amount)	1,004	11,206	12,210	-
Accumulated amortisation and impairment	(892)	(2,591)	(3,483)	-
Net carrying amount	112	8,615	8,727	-

[1] The customer contracts are for a finite period and therefore have a finite life. In accordance to AASB 138 "Intangible Assets", the depreciation amount of an intangible assets with a finite useful life shall be allocated on a systematic basis over its useful life. The Group has considered diminishing value method to be the most appropriate method to apply.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 13 - INTANGIBLE ASSETS AND GOODWILL (continued)

	CONSOLIDATED			PARENT
	Customer Contracts[1]	Goodwill[2]	Total	Total
	$'000	$'000	$'000	$'000
At 1 July 2007				
Cost (gross carrying amount)	1,004	11,206	12,210	-
Accumulated amortisation and impairment	(654)	(2,591)	(3,245)	-
Net carrying amount	350	8,615	8,965	-
Year ended 30 June 2008				
At 1 July 2007, net of accumulated amortisation and impairment	350	8,615	8,965	-
Adjustment of fair value of NewSat Networks at acquisition date	-	-	-	-
Write down on intangible assets	-	-	-	-
Amortisation	(157)	-	(157)	-
At 30 June 2008, net of accumulated amortisation and impairment	193	8,615	8,808	-
At 30 June 2008				
Cost (gross carrying amount)	1,004	11,206	12,210	-
Accumulated amortisation and impairment	(811)	(2,591)	(3,402)	-
Net carrying amount	193	8,615	8,808	-

[1] Purchased as part of business combinations

NOTE 14 - IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLES WITH INDEFINITE LIVES

Goodwill acquired through business combinations have been allocated to the single NewSat Networks cash generating unit.

The value in use calculations are based on discounted cash flow calculations. The discount rate utilised in the calculations is 16%.

The key assumption used was that the business will generate cash flows as per the most recent financial budgets. This is reliant on the following factors : gross margins, market share during the budget period and growth rate used to extrapolate cash flows beyond the budget period.

Gross margins: They are based on average values achieved in the years preceding the start of the budget period. These are increased over the budget period for anticipated improvements.

Market share: Management expects the group's share of the satellite communications market to increase over the budget period.

Growth rate: The growth rates do not exceed the long term average for the industry.

Changes to the assumptions mentioned above could have a reasonable effect on the recoverable value of goodwill and customer contracts. However Management do not expect a change in these assumptions to be reasonably possible.

As at 30 June 2009, Management assessed the recoverable amount of goodwill and the contracts acquired through acquisition, and determined based on value-in-use assessment and discounted forecast future cash flows. No write-down of the carrying amount of goodwill or customer contracts was necessary. The recoverable amount of this cash-generating unit was assessed by reference to the expected future cashflows.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 15 - SHARE-BASED PAYMENT PLANS

(a) Types of share-based payment plans

Employee Share Option Plan

All full time executive officers of NewSat Ltd (excluding Directors) are eligible to participate in the Executive Officer Option Plan No 3 at the discretion of the Directors.

The total number of options the Company has been authorised to issue under Executive Officer Option Plan No 3 ("the Plan") must not exceed 5% of the total number of shares on issue at any time. The options are non-transferable and will not be quoted on the ASX.

All options issued under the Plans are granted for no consideration and carry an exercise price of not less than the price which is calculated by discounting the closing price for ordinary shares on the date of issue by not more than 10%. Each option is convertible into one ordinary share.

The contractual life of each option granted is three to five years. There are no cash-settlement alternatives.

The expense recognised in the income statement in relation to share-based payments is disclosed in note 5(c).

(b) Summary of options granted under plans

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of and movements in share options issued during the year:

	2009 No. ('000)	2009 WAEP	2008 No. ('000)	2008 WAEP
Outstanding at the beginning of the year	321,000 [1]	0.016	321,000 [1]	0.016
Granted during the year	-	-	15,500	0.010
Forfeited during the year	(45,750)	0.014	(15,500)	0.013
Expired during the year	(17,250)	0.010	-	0.000
Outstanding at the end of the year	258,000 [1]	0.017	321,000 [1]	0.016

The outstanding balance as at 30 June 2009 is represented by:

- options over 28,000,000 ordinary shares with a weighted average exercise price of $0.010 each expires on 30 June 2012.

[1] Included within this balance are options over 1,000,000 shares (2007:1,000,000 shares) that have not been recognised in accordance with AASB 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with AASB 2.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is between 1 and approximately 4 years (2008: 1 and 5 years).

The range of exercise prices for options outstanding at the end of the year was $0.01-$0.02 (2008: $0.01-$0.02).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 15 - SHARE-BASED PAYMENT PLANS (continued)

(c) Option pricing model

The weighted average fair value of options granted during the year was Nil (2008: $0.003).

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a binomial model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2009 and 30 June 2008:

	2009*	2008
Dividend yield (%)	-	-
Expected volatility (%)	n/a	68% - 89%
Risk-free interest rate (%)	n/a	6.03% - 6.45%
Expected life of option (years)	n/a	3.83 - 5.00
Option exercise price ($)	n/a	0.01 to 0.02
Weighted average share price at grant date ($)	n/a	0.003 to 0.009

*No Options were issued under this plan during the year ended 30 June 2009

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The fair value of the cash-settled options is measured at the grant date using the Binomial option pricing model taking into account the terms and conditions upon which the instruments were granted. The services received and a liability to pay for those services are recognised over the expected vesting period. Until the liability is settled it is remeasured at each reporting date with changes in fair value recognised in profit or loss.

The total amount of the expense relating to the share-based payment at 30 June 2009 is $193,387 (2008: $484,137).

NOTE 16 - TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Trade payables (i)	4,211	2,567	605	369
Other creditors (ii)	185	50	70	50
Related party payables:- (iii)				
Loan to wholly owned group entities	-	-	3,390	5,198
Provision for Debt forgiveness*	-	-	(3,390)	(5,198)
	4,396	2,617	675	419

(i) Trade payables are non-interest bearing and are normally settled on 30 to 60-day terms.
(ii) Other creditors are non-interest bearing.
(iii) No interest is charged on the loan from the wholly owned group entities. For terms and conditions relating to related party payables refer to note 23.

* Refer to related party note 23 for conditions for debt forgiveness

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 17 - DEFERRED INCOME

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Deferred Revenue	1,699	1,036	-	-

During the 2008/2009 financial year, the Group had received a total of $1.8 million of funds from the Western Australia and Federal Government for a rollout of broadband in the Kimberley Region known as the "Kimberley Project".

By definition in the agreement, $1.6 million of the funds to be paid to the Group are considered to be "convertible loan" funds and $200k of the funds are defined as grant funds. The convertible loan funds will convert from loan to grant as follows :

(i) $900,000 at the first anniversary (1st Nov 2008);

(ii) $350,000 at the second anniversary (1st Nov 2009); and

(iii) $350,000 at the third anniversary (1st Nov 2010)

As per AASB 120, the Group has adopted the income approach of recognising this government grant, that is, the grant will be taken to income over one or more periods, which in the Group's case will be over a 36 month term, the expected life of the project. In accordance with this arrangement, during the financial year ended 30 June 2009: $900,000 converted from Loan to Grant (2008: $200,000) and $537,426 was recognised in the income statement (2008: $37,136).

NOTE 18 - LOANS, BORROWINGS AND GOVERNMENT GRANTS

		CONSOLIDATED		PARENT	
		2009	2008	2009	2008
	Maturity	$'000	$'000	$'000	$'000
INTEREST BEARING					
Current					
Convertible notes		-	980	-	980
		-	980	-	980
NON-INTEREST BEARING					
Current					
Government Loan converts to Grant	Oct-08	-	900	-	-
Government Loan converts to Grant	Oct-09	350	350	-	-
Government Loan converts to Grant	Oct-10	330	330	-	-
		680	1,580	-	-

During the 2009/2010 financial year, the Group will have received a total of $1.8 million of funds from the Western Australia and Federal Government for a rollout of broadband in the Kimberley Region known as the "Kimberley Project".

By definition in the agreement, $1.6 million of the funds to be paid to the Group are considered to be "convertible loan" funds and $200k of the funds are defined as grant funds. The convertible loan funds will convert from loan to grant as follows:

(i) $900,000 at the first anniversary;

(ii) $350,000 at the second anniversary; and

(iii) $330,000 at the third anniversary

In accordance to AASB 120, the Group will adopt the income approach of recognising this government grant, that is, the grant will be taken to income over one or more periods, which in the Group's case will be over a 36 month term, the expected life of the project. In accordance with this arrangement, during the financial year ended 30 June 2009: $900,000 converted from Loan to Grant (2008: $200,000) and $537,426 was recognised in the income statement (2008: $37,136).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 19 - PROVISIONS

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Current Liabilities - provisions				
Annual Leave	493	454	306	302
Long Service Leave	269	188	100	93
	762	642	406	395
Non-Current Liabilities - provisions				
Long Service Leave	112	163	56	18
	112	163	56	18

NOTE 20 - CONTRIBUTED EQUITY AND RESERVES

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Ordinary shares (i)	122,137	119,937	122,137	119,937
	122,137	119,937	122,137	119,937
(i) Ordinary shares				
Issued and fully paid	122,137	119,937	122,137	119,937

Fully paid ordinary shares carry one vote per share and the right to dividends.

	No of shares Thousands	$'000	No of shares Thousands	$'000
Movement in ordinary shares on issue				
At 1 July 2007	3,792,703	111,158	3,792,703	111,158
Shares issued (in lieu of cash)	225,000	1,250	225,000	1,250
Convertible note conversion	1,654,826	7,908	1,654,826	7,908
Transaction costs on share issue	-	(379)	-	(379)
At 1 July 2008	5,672,529	119,937	5,672,529	119,937
Shares issued (capital raising)	500,000	1,000	500,000	1,000
Shares issued (in lieu of cash)	59,415	124	59,415	124
Convertible note conversion	562,500	1,125	562,500	1,125
Transaction costs on share issue	-	(49)	-	(49)
At 30 June 2009	6,794,444	122,137	6,794,444	122,137

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20 - CONTRIBUTED EQUITY AND RESERVES (continued)

Share options

The company has two share based payment option schemes under which options to subscribe for the company's shares have been granted to certain executives and other employees (refer note 15).

Retained earnings

Movements in retained earnings were as follows:

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Balance 1 July	(107,956)	(99,824)	(108,107)	(98,258)
Net loss for the year	(2,960)	(8,132)	(672)	(9,849)
Balance 30 June	(110,916)	(107,956)	(108,779)	(108,107)

(a) Capital Management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

Management aims to maintain a capital structure that is 100% equity based. Management will plan to issue further shares if and when, this funding requirement arises.

The group is not subject to any externally imposed capital requirements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 21 - FINANCIAL INSTRUMENTS

Fair values

The fair values of all of the Group's financial assets and financial liabilities approximate their carrying value due to the short term to maturity. The carrying amount and fair value of financial assets and financial liabilities of the Group at reporting date are:-

	Carrying amount		Fair value	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
CONSOLIDATED				
Financial assets				
Cash	1,927	1,828	1,927	1,828
Trade receivables	2,944	2,249	2,944	2,249
Other financial assets (non-current)	359	338	220	225
Financial liabilities				
Trade payables	(4,396)	(2,617)	(4,396)	(2,617)
Interest-bearing loans and borrowings:				
Convertible Notes	-	980	-	980
PARENT				
Financial assets				
Cash	1,331	217	1,331	217
Trade receivables	-	-	-	-
Investment in Subsidiaries (non-listed)	14,185	14,185	44,116	29,329
Financial liabilities				
Trade payables	(675)	(419)	(675)	(419)
Interest-bearing loans and borrowings:				
Convertible Notes	-	980	-	980

Contingencies

The Company and certain controlled entities have potential financial liabilities that may arise from certain contingencies disclosed in note 22. As explained in that note, no material losses are anticipated in respect of any of those contingencies and the fair value disclosed above is the directors' estimate of amounts that would be payable by the Group as consideration of the assumption of those contingencies by another party.

NOTE 22 - COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group has no capital commitments.

Operating lease commitments – Group as lessee

The Group has entered into commercial property leases for office use. These leases have an average life of between 2 and 5 years with a renewal option included for its Corporate Office in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 22 - COMMITMENTS AND CONTINGENCIES (continued)

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2009 are as follows:

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Within one year	312	433	251	251
After one year but not more than five years	628	904	628	858
	940	1,337	879	1,109

Other expenditure commitments

Commitments to various Contractors and Suppliers contracted for at reporting date but not recognised as liabilities are as follows:

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Contractors and Suppliers				
Within one year	5,549	4,405	3,822	3,832
After one year but not more than five years	5,715	3,559	1,844	3,327
	11,264	7,964	5,666	7,159

Other contingent liabilities

A fixed and floating charge over NewSat Networks Pty Ltd has been issued to NSS BV by the Group to secure all obligations arising from the NewSat Networks Pty Ltd transaction, which includes the ongoing space segment operating leases to a maximum of US$10,000,000. Provided there are no events of defaults, per the agreement in place it is scheduled to be discharged on 8 November 2010.

Other contingent assets

At balance date a contingent asset exists in relation to the sale of Airworks Media Pty Ltd whereby the sale structure includes the potential receipt of up to a further $5 million over time scalable subject to certain ongoing commercial conditions.

NOTE 23 - RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of NewSat Limited and the subsidiaries listed in the following table.

		% Equity interest	
Name	**Country of incorporation**	**2009**	**2008**
NewSat Ltd	Australia	-	-
NewSat Services Pty Ltd	Australia	100	100
NewSat MEA Pty Ltd	Australia	100	100
NSN Holdings Pty Ltd, owns	Australia	100	100
- 100% NewSat Networks Pty Ltd	Australia		
Moby 6 Pty Ltd	Australia	100	100
Click ‘n’ Go! RMS Pty Ltd	Australia	100	100
MM Holdings Australia Pty Ltd, owns	Australia	92	92
- 100% of AWM Graphics Pty Ltd	Australia		
Jabiru Satellite Ltd	Australia	100	100

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 23 - RELATED PARTY DISCLOSURE (continued)

NewSat Limited is the ultimate Australian parent entity.

Terms and conditions of transactions with related parties:

- Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances on intercompany loans at year-end are unsecured, interest free with no fixed terms for the repayment of loans and are payable on demand.

As per the amounts disclosed in note 9(b) and 16(iii) for the year ended 30 June 2009, the Parent entity and all wholly owned entities have made an allowance for debt forgiveness relating to amounts owed by related parties. An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

NOTE 24 - AUDITORS' REMUNERATION

The auditor of NewSat Limited is Ernst & Young.

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Amounts received or due and receivable by Ernst & Young (Australia) for:				
• an audit or review of the financial report of the entity and any other entity in the consolidated group	152,100	179,529	152,100	179,529
• other services in relation to the entity and any other entity in the consolidated group				
ACMA and ABG compliances	3,500	4,635	3,500	4,635
	155,600	184,164	155,600	184,164
Amounts received or due and receivable by other audit firms for:				
Taxation services	10,000	4,850	10,000	4,850
Other non-audit services	-	12,930	-	12,930
	10,000	17,780	10,000	17,780

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 25 - KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

	CONSOLIDATED		PARENT	
	2009	2008	2009	2008
	$	$	$	$
Short-term employee benefits	1,658,012	1,651,537	949,344	1,236,340
Post-employment benefits	118,446	167,079	57,798	129,712
Share-based payment	160,150	482,396	128,579	468,694
	1,936,608	2,301,012	1,135,721	1,834,746

(b) Option holdings of Key Management Personnel (Consolidated)

	Balance at beginning of period 01-Jul-08 ('000)	Granted as Remuneration ('000)	Options Exercised ('000)	Net Change Other # ('000)	Balance at end of period 30-Jun-09 ('000)	Vested at 30 June 2009 Total ('000)	Vested at 30 June 2009 Exercisable ('000)	Vested at 30 June 2009 Not Exercisable ('000)
30 June 2009								
Directors								
J H Walker	75,000	-	-	-	75,000	75,000	75,000	-
A M Ballintine	100,000	-	-	-	100,000	100,000	100,000	-
E C Ellison	50,000	-	-	-	50,000	50,000	50,000	-
C M North (Resigned 17 March 2009)	35,000	-	-	(35,000)	-	-	-	-
Executives								
A Shapiro	10,000	-	-	-	10,000	10,000	10,000	-
M Kenneally	7,000	-	-	-	7,000	7,000	7,000	-
L McGoldrick	2,000		-	-	2,000	2,000	2,000	-
A Matlock	4,000	-	-	-	4,000	4,000	-	4,000
Total	283,000	-	-	(35,000)	248,000	248,000	244,000	4,000

Includes forfeitures.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

NOTE 25 KEY MANAGEMENT PERSONNEL (continued)

	Balance at beginning of period 01-Jul-07 ('000)	Granted as Remuneration ('000)	Options Exercised ('000)	Net Change Other # ('000)	Balance at end of period 30-Jun-08 ('000)	Vested at 30 June 2008 Total ('000)	Exercisable ('000)	Not Exercisable ('000)
30 June 2008								
Directors								
J H Walker	75,000	-	-	-	75,000	75,000	37,500	37,500
A M Ballintine	100,000	-	-	-	100,000	100,000	50,000	50,000
E C Ellison	50,000	-	-	-	50,000	50,000	25,000	25,000
C M North (Resigned 17 March 2009)	-	35,000	-	-	35,000	35,000	-	35,000
Executives								
A Shapiro	10,000	-	-	-	10,000	10,000	-	10,000
C Frith	-	10,000	-	(10,000)	-	-	-	-
M Kenneally	7,000	-	-	-	7,000	7,000	3,000	4,000
L Willis	7,000	-	-	-	7,000	7,000	3,000	4,000
A Matlock	-	4,000	-	-	4,000	4,000	-	4,000
Total	249,000	49,000	-	(10,000)	288,000	288,000	118,500	169,500

(c) Shareholdings of Key Management Personnel (Consolidated)

Shares held in NewSat Limited (number)

	Balance 01-Jul-08 Ord	Granted as Remuneration Ord.	On Exercise of Options Ord	Net Change Other Ord	Balance 30-June-09 Ord
30 June 2009					
Directors					
J H Walker	999,999	-	-	-	999,999
A M Ballintine	38,008,976	-	-	-	38,008,976
E C Ellison	637,511	-	-	-	637,511
C M North (Resigned 17 March 2009)	6,639,160	-	-	-	6,639,160
Executives					
A Shapiro	-	-	-	-	-
M Kenneally	-	-	-	8,000,000	8,000,000
A Matlock	2,000,000	-	-	-	2,000,000
L McGoldrick	-	-	-	-	-
L Willis	-	-	-	-	-
Total	48,285,646	-	-	8,000,000	56,285,646

Notes to the Financial Statements
FOR THE YEAR ENDED 30 JUNE 2009

NOTE 25 KEY MANAGEMENT PERSONNEL (continued)

(c) Shareholdings of Key Management Personnel (Consolidated) (continued)

	Balance 01-Jul-07	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30-June-08
	Ord	Ord.	Ord	Ord	Ord
30 June 2008					
Directors					
J H Walker	999,999	-	-	-	999,999
A M Ballintine	38,008,976	-	-	-	38,008,976
E C Ellison	637,511	-	-	-	637,511
C M North (Resigned 17 March 2009)	-	-	-	6,639,160	6,639,160
Executives					
A Shapiro	-	-	-	-	-
M Kenneally	-	-	-	-	-
A Matlock	2,000,000	-	-	-	2,000,000
L Willis	-	-	-	-	-
Total	41,646,486	-	-	6,639,160	48,285,646

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

(d) Loans to Key Management Personnel

None noted.

(e) Other transactions and balances with Key Management Personnel

None noted.

Directors' Declaration

In accordance with a resolution of the directors of NewSat Limited, I state that:

1 In the opinion of the directors:

(a) the financial statements and notes of the company and of the consolidated entity and the remuneration disclosures included in the directors' report designated as audited 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 Corporations Regulations 2001; and

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

2 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 period ending 30 June 2009.

On behalf of the Board

ADRIAN BALLINTINE
Director

Melbourne, 30 September 2009

Independent auditor's report

ERNST & YOUNG

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Independent auditor's report to the members of NewSat Limited

Report on the Financial Report

We have audited the accompanying financial report of NewSat 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 2, 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.

Independent auditor's report

Auditor's Opinion

In our opinion:

1. the financial report of NewSat Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of NewSat 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.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(d) in the financial report which indicates that the company and consolidated entity incurred net losses of $2.96m during the year ended 30 June 2009 and generated net cash outflows from operating activities of $31,000. These conditions along with the other matters set forth in note 2(d), indicate the existence of a significant uncertainty which may cast doubt about the company and the consolidated entity's ability to continue as going concerns. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and / or the consolidated entity not continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 20 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 NewSat Limited for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Robert Dalton
Partner
Melbourne
30 September 2009

Additional Information

Additional information required by the Australian Securities Exchange Limited, which is not shown elsewhere in this report, is as follows:

The information is as at 30 September 2009.

(a) Distribution of equity securities

(i) Ordinary share capital

- 6,794,443,924 fully paid ordinary shares are held by 6,721 individual shareholders.
- All issued ordinary shares carry one vote per share and are listed on the Australian Securities Exchange Limited.

(ii) Options

- 258,000,000 options are held by 12 individual option holders.
- Each option is potentially convertible into one ordinary share.
- All options do not carry a right to vote and are unquoted.

The number of shareholders, by size of holding, in each class is:

	Ordinary Shares		Unquoted Options	
Range of Units Snapshot	**Number of Holders**	**Number of Shares**	**Number of Holders**	**Number of Options**
1 - 1,000	50	30,960	-	-
1,001 - 5,000	230	766,672	-	-
5,001 - 10,000	212	1,804,671	-	-
10,001 - 100,000	1,675	106,679,711	-	-
100,001 - and over	4,554	6,685,161,910	12	258,000,000
Total	6,721	6,794,443,924	12	258,000,000
Holding less than a marketable parcel	1,372	35,039,846	-	-

(b) Substantial shareholders

Shareholder	Ordinary Fully Paid Shares	% of Issued Capital
RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	149,870,901	2.21%

Additional Information

(c) Twenty largest holders of quoted equity securities

Ordinary shareholders	Ordinary Fully Paid Shares (Number)	% of Issued Capital
1. RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	149,870,901	2.21
2. BOOM SECURITIES (HK) LTD <CLIENTS ACCOUNT>	125,350,000	1.84
3. MR STEVEN ROBERT BROWN	101,600,000	1.50
4. AUSTOCK INVESTMENTS PTY LTD	100,000,000	1.47
5. MR TONY DANILOV	82,550,000	1.21
6. MR GARY RONALD HEATH + MRS MELISSA LOUISE HEATH	73,367,167	1.08
7. ABLETT PTY LTD <DAVID EDWARDS FAMILY A/C>	70,000,000	1.03
8. MRS ENA VOSK <ITF MRS M A GENTZLER A/C>	65,806,666	0.97
9. WILLOW HORIZON PTY LTD	63,736,689	0.94
10. HURLBOOK PTY LTD	60,000,000	0.88
11. MR STEFFAN PETER WEISS	55,000,000	0.81
12. DEPOFO PTY LTD <SUPER A/C>	50,000,000	0.74
13. MR LASZLO MARER + MRS JUDITH MARER	46,064,375	0.68
14. MR XINHUI GONG	45,800,000	0.67
15. MICALLEF PLUMBING INDUSTRIES PTY LTD	41,564,730	0.61
16. BETTERMAKE PTY LTD <B & L BASILE SUPER FUND A/C>	40,000,000	0.59
17. LINWIERIK SUPER PTY LTD <LINTON SUPER FUND A/C>	40,000,000	0.59
18. MR DONALD J SMITH + MRS PATTY SMITH <GFC SUPER FUND A/C>	40,000,000	0.59
19. CITICORP NOMINEES PTY LIMITED	39,610,145	0.58
20. SEAFORTH BLUE PTY LTD <PAUL MADDEN SUPER FUND A/C>	38,181,900	0.56
Top 20 holders of ORDINARY FULLY PAID SHARES	1,328,502,573	19.55
Remaining Holders Balance	5,465,941,351	80.45
Total	6,794,443,924	100.00

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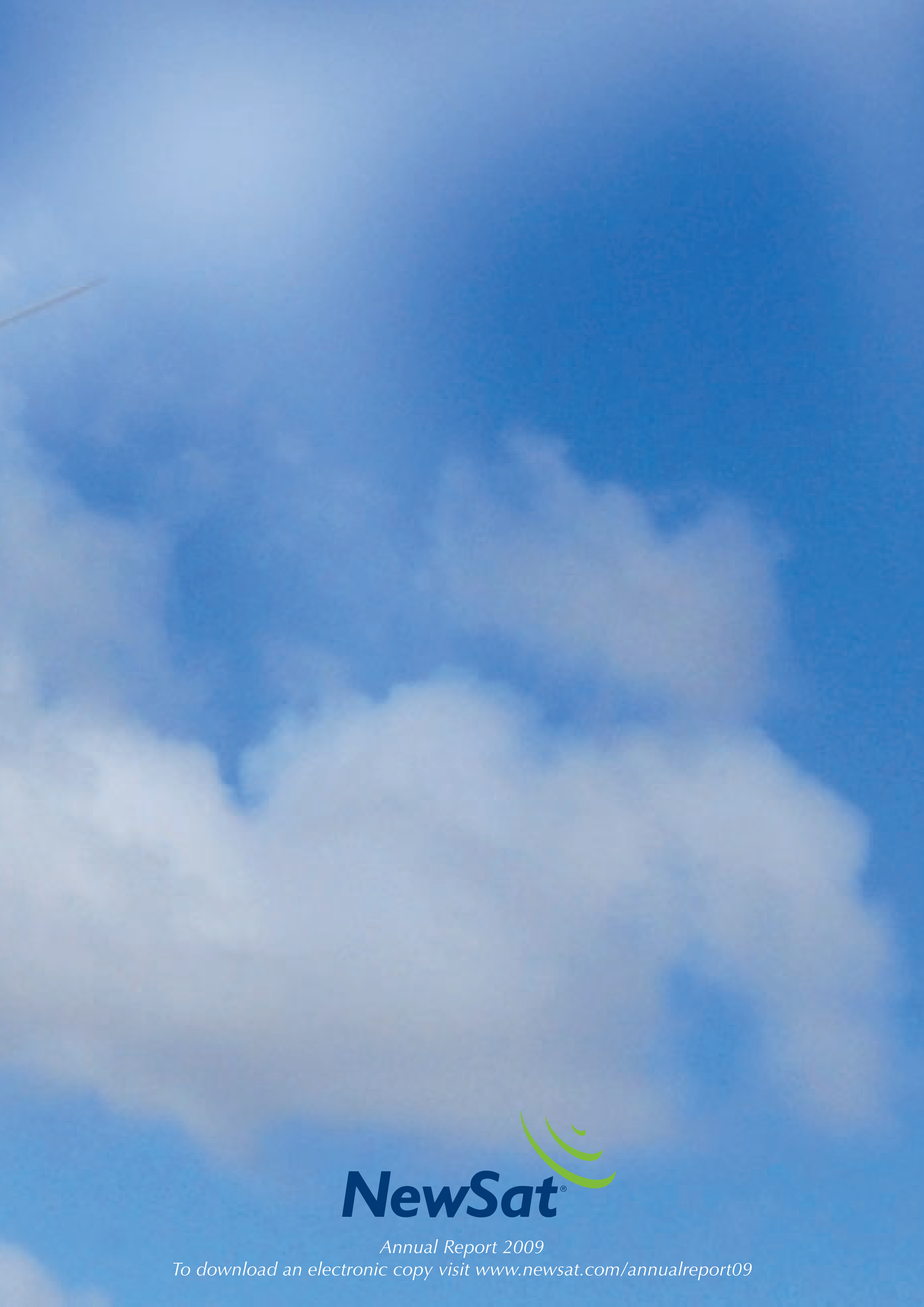

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Annual Report 2009

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