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ABN 31 112 119 203

ASX RELEASE

27 August 2009

EIRCOM HOLDINGS LIMITED – FULL YEAR RESULTS FOR FINANCIAL YEAR ENDED 30 JUNE 2009

Group Financials
- EBITDA of A$1,284 million, up 0.3% on prior year, $1,280 million
- Consolidated net loss of A$1,485 million down from a prior year net profit of A$101.2 million

Operational Highlights

eircom
- EBITDA of €695 million compared with €708 million last year
- Fixed line EBITDA maintained at €139 million for the June 2009 quarter in line with guidance, 6.1% down on previous corresponding period (pcp)
- 12% increase in fixed line broadband subscribers year on year at 665,000 at year end
- Meteor EBITDA up 11% to €124 million

Golden Pages
- Consolidated EBITDA for 6 months to 30 June 2009 of NIS 38.0 million, a 3.0% increase on the pcp
- Growth in online EBITDA from a loss in pcp to NIS 8.8 million for 6 months to 30 June 2009, a 137% increase on the pcp
- Consistent Local Search & Information Business EBITDA for the 6 months to 30 June 2009 of NIS 7.4 million a decrease of 25% from NIS 9.9 million in the pcp

Financial Results

eircom Holdings Limited (**ERC**) today released its full year results for the financial year ending 30 June 2009 achieving consolidated earnings before interest, tax, depreciation and amortisation (**EBITDA**) for the year of A$1,284 million, an increase of 0.3% on the prior year. ERC recorded an overall loss for the period of A$1,485 million largely attributed to non-cash losses of A$1,423 million incurred on the impairment of goodwill in eircom and the non-cash losses of A$129 million on the reclassification of the Golden Pages investment as a non-current asset held for sale.

ERC's results are a reflection of the challenging global economic conditions and financial markets. While EBITDA remains broadly in line with the previous year, the overall net loss includes significant non-cash impairment and reclassification charges.

The eircom impairment charges were triggered by the economic downturn in Ireland coupled with the continuing deterioration in financial markets. The impairment was further impacted by a decline in the market value of the assets held in the principal pension scheme of eircom.

The Directors also resolved to reclassify Golden Pages as a current asset, held for sale, with an adjustment to book value reflecting fair market value based on comparable company multiples and a slow down of the Israeli economy.

Despite the recorded loss, the Directors of ERC remain confident that the Group has adequate cash reserves, sufficient to meet the Group's financial needs and obligations for the foreseeable future. Debt facilities at both eircom and Golden Pages are non-recourse to ERC.

eircom

eircom achieved an EBITDA (before non-cash pension credit, restructuring and other exceptional costs, net construction income, profit on disposal of property of investments and management fees) of €695 million, a 2% decrease on the prior corresponding period. The result reflects the decline in the Fixed Line business due to deteriorating economic conditions and the continued voice substitution from fixed line to mobile.

Fixed Line achieved an EBITDA of €571 million for the period, a 3% decrease on the prior corresponding period. Broadband revenues increased by 9% on the prior year. Broadband rollout has expanded with almost 800 exchange sites being enabled as at 30 June 2009 connecting more than 1.5 million lines prequalifying for broadband. Broadband subscriber numbers reached over 665,000, a 12% increase year on year as the rollout continues.

The Meteor mobile business achieved an EBITDA (before incentive costs and fair value adjustments) of €124 million, a €12 million increase on the prior corresponding period which partially offset the decline in the Fixed Line business.

Meteor's mobile market share continues to increase with 19.5% attained in June 09 vs. 19.0% in June 08. This increase has slowed the growth rate in the Irish mobile market due to increased competition in Ireland.

Meteor net subscribers rose 4% to 1,026,000 (2008: 988,000).

eircom's capex spend of €335 million during the year to 30 June 09 equates to 17% (2008: 16%) of revenue being invested in eircom's telecommunications infrastructure versus €331 million cash spend during the previous corresponding period. eircom's cash balance of €335 million ensures that the company remains in a strong cash position. eircom continues to meet its quarterly debt covenants. The company's long dated debt profile remains stable with a weighted average cost of cash pay debt of ~5.7% and bulk of debt repayable from September 2014.

In line with financial market performance during the period, the market value of the assets held in the eircom principal pension scheme fell by 20% to €2,207 million resulting in a deficit of €435 million at 30 June, 2009.

At eircom:

- Net debt stood at €3,846 million at 30 June 2009
- Goodwill impairment of €720 million in the year reflecting the deterioration in the Irish economic environment
- Meteor mobile broadband subscribers of approximately 9,000 at end of June 2009
- eircom mobile broadband launched in June 2009
- Exceptional costs of €43 million charged at 30 June 2009, relating to provisions in respect of onerous property contracts
- Restructuring provision of €27 million at 30 June 2009, for costs of planned future voluntary leaving programme.
- Stage 1 "Accord" reached with employees on a range of issues to meet restructuring requirements of the group.

Golden Pages

Golden Pages (**GPM**) achieved a NIS38.0 million consolidated EBITDA for the six months to June 2009, an increase of 3% over the pcp. The increase in EBITDA from the Online and Local Search & Information Businesses offset the decline in Print EBITDA.

GPM is implementing a number of strategies to mitigate the decline in print revenues including utilising its print customer base to gain critical mass across all distribution platforms and further developing bundled advertising alternatives across multiple distribution platforms.

As disclosed to ASX on 8 July 2009, a Restructuring Agreement with the Noteholders in relation to the Golden Pages operating company, GPM Classified Directories (Management & Marketing) Limited became effective. ERC can provide no assurance that the conditions of the Restructure Agreement will be satisfied or that the restructure will occur. ERC continues to assess a number of alternate courses of action in the event that the restructure does not complete.

This restructure follows a covenant breach attaching to the GPM Notes resulting from the impairment of assets held by ERC's wholly owned subsidiary, Babcock and Brown Capital (Israel Holdings 2008) Ltd. This restructuring by the Noteholders will, on completion, dilute ERC's shareholding interest in GPM to a nominal interest.

The restructure is conditional on a number of procedural steps being completed and a number of approvals being obtained, including the consent of Bank Hapoalim (senior lender to GPM), final Noteholder approval and, if required, approval of an Israeli Court.

The Company can give no assurance that this restructure of GPM will be completed.

ERC recorded non-cash losses of A$129 million on the reclassification of the GPM investment as a non-current asset held for sale. As at 30 June 2009 the carrying value of the investment in GPM has been written down to $0.5 million.

Capital Management

Responding to the desire of ERC shareholders for surplus capital to be returned, a shareholder meeting has been convened for 15 September 2009 to consider a further capital return of $134.3 million which equates to $0.80 per ERC share.

Following feedback from shareholders and a thorough review of the alternatives the Directors believe the capital return will achieve a more efficient capital structure for ERC. Moroever, this strategy is consistent with the Company's intention not to use its own capital for further acquisitions or investments.

ERC Review process

On 6 August 2009, the Company announced that it had received a proposal from STT Communications Ltd (STTC). This announcement followed a formal process conducted by the Company spanning several months seeking potential bidders for the Company.

Discussions with STTC are continuing with a view to reaching agreement on the terms of a recommended transaction. However the Company can give no assurance that these discussions will result in a recommended transaction.

Attachments
- Appendix 4E and Full Year Financial Report.
- An investor presentation which includes information intended to provide investors with the metrics for evaluating the performance and underlying value of eircom and Golden Pages.

ENDS

Further Information:

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Company Secretary
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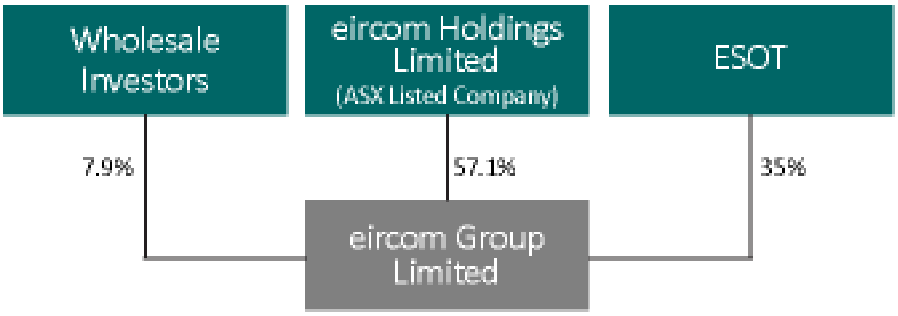
eircom Holdings Limited

ABOUT EIRCOM HOLDINGS LIMITED

eircom Holdings Limited is listed on the Australian Securities Exchange (ASX) under the ticker ERC.

ERC holds a 57.1% interest in eircom Group Limited (eircom), Ireland's incumbent telecommunications provider. Existing and former employees of eircom hold 35% or eircom through their share ownership trust, the ESOT, and the remaining 7.9% of eircom is held by other wholesale investors.



ERC owns 100% of Golden Pages, the leading Israeli directories business with portfolio of complementary directory and search businesses operating across four distribution platforms.

ERC changed its name from Babcock & Brown Capital Limited (BCM) on 27 April 2009. ERC has been listed on the ASX since February 2005.

eircom Holdings Limited

ABN 31 112 119 203

APPENDIX 4E

Preliminary Final Report

1. Details of the reporting period

Current Period: 1 July 2008 - 30 June 2009

Previous Corresponding Period: 1 July 2007 - 30 June 2008

2. Results for announcement to the market

		2009 $A'000	2008 $A'000
2.1 Revenues from ordinary activities	Up 3.4%	3,829,329	3,703,844
2.2 Profit/(Loss) from ordinary activities after tax attributable to members	Down 1,566.5%	(1,484,646)	101,235
2.3 Net profit/(Loss) for the period attributable to members	Down 1,566.5%	(1,484,646)	101,235
* Refer overview of operating performance in section 14.3			

2.4 Distributions	Amount per security	Franked amount per security
Current Period: Final distribution Interim distribution	nil nil	N/A N/A
Previous Corresponding Period: Final distribution Interim distribution	nil nil	N/A N/A
2.5 Record date for determining entitlements to the distribution	N/A	

2.6 Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer to section 14.3 for explanations surrounding the figures.

3. Statement of Financial Performance with notes

Refer to the Income Statements in the attached financial results.

4. Statement of Financial Position with notes

Refer to the Balance Sheets in the attached financial results.

5. Statement of Cash Flows with notes

Refer to the Cash Flow Statements in the attached financial results.

6. Details of distributions

No dividend has been declared or paid since the commencement of the financial year and the directors do not recommend the declaration of a dividend.

7. Details of dividend reinvestment plan

Not applicable.

8. Statement of retained earnings showing movements

Refer attached financial statements (Note 27(A) Retained Profits/(Losses)).

9. Net asset value per security

	Current period	**Previous period**
Net asset value per ordinary security *	($3.93)	$5.58

10. Control gained or lost over entities during the period

10.1 Name of entity (or group of entities) over which control was gained	N/A.
10.2 Date control was gained	N/A
10.3 Consolidated (loss)/profit from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
10.4 Profit/(loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

10. Control gained or lost over entities during the period *(continued)*

10.1 Name of entity (or group of entities) over which control was lost	Not applicable
10.2 Date control was lost	Not applicable
10.3 Consolidated profit/(loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	Not applicable

11. Details of associates and joint venture entities

For details of associates refer note 16 in the attached Financial Report.

12. Other significant information

Refer attached Results Announcement, titled "Review of Operations."

13. Accounting standards used by foreign entities

Refer note 1 of the financial statements "Summary of Significant Accounting Policies"

14. Commentary on results

		Current period	Previous corresponding period
14.1	Earnings per share		
	Basic earnings per share	(884.2) ¢	52.3 ¢
	Diluted earnings per share	(884.2) ¢	52.3 ¢
		$A'000	$A'000
14.2	Returns to shareholders:		
	Distributions	nil	nil
	Capital Returns ($0.60 per share)	$100,743	-
	No dividends were paid or recommended during the period.		
14.3 – 14.6	Refer Management Discussion and Analysis and review of Operations on pages 2 to 3 of the attached Financial Report.		

15. Audit / review of accounts upon which this report is based

This report is based on accounts to which one of the following applies (*tick one*):

☑	The accounts have been audited. (refer attached financial statements)	☐	The accounts have been subject to review. (refer attached financial statements)
☐	The accounts are in the process of being audited or subject to review.	☐	The accounts have *not* yet been audited or reviewed.

16. Description of likely dispute or qualification (if applicable).

Not applicable.

17. Qualification of audit

Not applicable.

Full Year Financial Report

FOR THE YEAR ENDED 30 JUNE 2009

eircom Holdings Limited (formerly Babcock & Brown Capital Limited (**BCM**)) and Controlled Entities ABN 31 112 119 203

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in the Company, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

eircom Holdings Limited ("the Company") is a company limited by shares, incorporated and domiciled in Australia. Its registered office and place of business is:

Level 3, 50 Pitt Street

SYDNEY NSW 2000

Australia

The Company's consolidated financial report has been prepared to enable the Company to comply with its obligations under the Corporations Act and to ensure compliance with the ASX Listing Rules and satisfy the requirements of the Australian accounting standards. The responsibility for preparation of the consolidated financial report and any financial information contained in this financial report rests solely with the Directors of the Company.

The financial report was authorised for issue by the directors on 27 August 2009. The company has the power to amend and reissue the financial report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

NAME OF COMPANY: eircom Holdings Limited ("ERC") ABN 31 112 119 203

	Year ended 30 June 2009 $'000	Year ended 30 June 2008 $'000
Operating revenue (net of interest income)	3,813,507	3,519,504
Operating expenses (excluding restructuring costs and onerous contract costs, depreciation, amortisation, impairment and finance costs)	(2,529,143)	(2,236,403)
Earnings before interest, tax, depreciation and amortisation expense ("EBITDA") and restructuring costs	**1,284,364**	**1,280,347**
Net gain on disposal of eircom masts business	-	130,581
Loss on disposal group held for sale	(129,758)	-
Restructuring costs	(49,815)	-
Onerous contract costs	(46,764)	-
Depreciation and amortisation	(779,428)	(660,229)
Impairment of goodwill	(1,422,610)	(4,273)
Net finance costs	(547,933)	(510,965)
Net loss on derivatives not qualifying as hedges	(170,618)	(1,377)
Share of net gains of associates accounted for using the equity method	2,470	329
(Loss)/profit/ before tax	**(1,860,092)**	**237,167**
Income tax benefit/(expense)	17,658	(52,880)
(Loss)/profit for the year	**(1,842,434)**	**184,287**
(Loss)/profit attributable to minority interest	357,788	(83,052)
(Loss)/profit for the year attributable to members	**(1,484,646)**	**101,235**
Basic and diluted (losses)/profits per share	(884.2 cents)	52.3 cents
Net Tangible (Liability)/Asset ("NTA") Backing		
Net (liability)/asset value per security	($3.93)	$5.58

ERC's results were significantly impacted by a number of accounting adjustments and non-recurring items from the impairment of goodwill within eircom and the impairment following the re-classification of the investment in Golden Pages Israel as available for sale. These are discussed further in the Results Review section of the Management Discussion and Analysis.

DIVIDENDS

The Directors have not proposed a dividend for the year ended 30 June 2009.

All amounts are in Australian dollars unless otherwise stated. The information on which this announcement is based has been audited by the Company's auditor, PricewaterhouseCoopers. The Company has a formally constituted Audit, Risk & Compliance Committee of the Board of Directors. This report was approved by resolution of the Board of Directors on 27 August 2009.

MANAGEMENT DISCUSSION & ANALYSIS

RESULTS REVIEW

Revenue:

The Group generated revenue of $3,831.8 million for the year. This included:

- eircom telecommunications revenue from operations of $3,699.1 million;
- Golden Pages directories revenue of $114.4 million;
- corporate investment income of $15.8 million; and
- equity accounted profits of $2.5 million.

Expenses:

The Group incurred total expenses of $5,691.9 million. This included:

- total eircom expenses of $5,426.1 million for the period. This consisted of $2,671.0 million in operating expenses, depreciation and amortisation of $768.8 million, finance costs of $563.7 million and goodwill impairment expense of $1,422.7 million;
- total Golden Pages expenses of $248.7 million for the period. This consisted of $88.7 million in operating expenses, depreciation and amortisation of $10.7 million, finance costs of $19.5 million and an impairment of $129.8 million on reclassification of Golden Pages as an asset held for sale; and
- operating costs from local operations of $17.1 million.

REVIEW OF OPERATIONS

eircom Group Limited

Fixed Line

Fixed line has performed well for the year, when considering the challenging economic and competitive conditions experienced for the year in Ireland. Fixed line revenue for the year was down 6% for the year to €1,558 million (2008: €1,650 million). Fixed line EBITDA before non-cash pension credit, restructuring and other execeptional costs, net construction income and profit on disposal of property and investments for the year totalled of €571 million (2008: €596 million), a reduction of 4% for the year.

Total PSTN lines fell by 66,000 for the year (down 15,000 in the prior year) and PSTN voice minutes fell by 10%. The revenue shortfall from the reduction in PSTN lines and voice substitute fixed line to mobiles, was offset by continued broadband growth (increasing 8% during the year to €64 million) and sustained focus on costs.

In April 2009, Meteor mobile broadband was released and at year-end customers are approximately 9,000. In June 2009, eircom mobile broadband was launched.

Mobile

eircom operates in the Irish mobile market through its subsidiary, Meteor. According to latest management estimates, Meteor (including eircom mobile) has a market share of 20.8% representing an increase of 3.0% for the year. At 30 June 2009. Meteor's operating revenue increased 3% to €496 million in the current year from €480 million for the year ended to 30 June 2008. Increases are drivenby increased subscriber numbers, which were up 4% to 1,026,000 (2008: 988,000). The EBITDA margin has increased from 24% in the prior year to 25% for the year ended 30 June 2009. As a result EBITDA (before incentive costs and fair value adjustments) for the 12 months totalled €124 million, an increase of 11% over the prior year's figure of €112 million.

Golden Pages Israel

Consolidated net revenue from Golden Pages for the six months to 30 June 2009, increased by 0.7% to NIS 154.8 million (2008: 153.8 million).Print revenue declines were offset by digital revenues and revenue from local search and information businesses showed a 5% increase in the current year.

Consolidated EBITDA showed an increase of 3% against the prior year. Declines in print EBITDA were more than offset by digital EBITDA. EBITDA from local search and information businesses showed a decline of 25% as a result of the difficult economic environment in Israel.

The Company's investment in GPM was reclassified during the year as a non-current asset held for sale. The resulting impairment of the investment as a result of the reclassification totaled $129.8 million. As at 30 June 2009, the carrying value of the Company's investment in GPM was $0.5 million, representing the expected proceeds from the disposal of the investment less associated transaction costs on disposal.

The GPM Group includes:

- Golden Pages, Israel's yellow pages business which is the largest directory franchise in the country. This business publishes approximately 77 directories annually (national, regional and specialist).
- "D", an online directory business;
- Golden Pages and D branded directory offerings across cellular and television platforms; and
- A suite of directory related print and online businesses including:
  - ***ZAP***, Israel's # 1 comparative shopping website;
  - ***REST***, Israel's # 1 restaurant directory business;
  - ***ProGroup***, Israel's premier student portal;
  - ***60%* of Dun & Bradstreet Israel**, a business directory and business information service;
  - ***Doctors***, Israel's # 1 professional website for the medical industry;
  - ***Michatnim***, Israel's # 1 wedding directory business;
  - ***Weekends***. Israel's # 1 last minute holiday website; and
  - ***D-Media***, a business unit focused on marketing and advertising sales across the entire GPM portfolio.

CORPORATE

Capital Returns

On 27 February 2009 Shareholders approved a $100.7 million ($0.60 per share) return of capital which was paid to shareholders on 17 March 2009. Shares began trading on an "ex" return of capital basis on 3 March 2009.

On 31 July 2009 the Company convened a meeting to consider a return of capital to shareholders of a further $134.3 million ($0.80 per share). The meeting is to take place on 15 September 2009.

Internalisation of Management

On 27 April 2008, the shareholders of ERC approved the internalization of the management of ERC by voting in favour of the termination of the incumbent management agreement with Babcock & Brown Capital Management, a wholly owned subsidiary of Babcock & Brown.

Subsequent to the approval, the Company made a one-off $5 million payment for the termination of the Management Agreement. This result was a great outcome for the Company given the announcement on 10 November 2008 by the Company that agreement had been made on terns to pay $32.5 million for the termination of the Management Agreement and up to $17.5 million for the termination of the advisory contracts. The resultant payment to the manager represents the lowest comparative termination payment made in the Australian market in the last 12 months, as identified by the Australian Financial Review on 14 August 2009.

The removal of the Management Agreement cleared the way for the Company to progress the offers of interest for the Company, to be led by its own management team, under the direction of recently appointed CEO, Andrew Day, who is located in London, close to our major asset, eircom and who has extensive telecommunications experience.

The recent internalisation of management has also resulted in a reduction in the operating cost structure of the Company and continued efficiencies are expected to flow in the coming year.

Sale Process

ERC conducted a formal strategic review process, inviting expressions of interest from third parties for a potential control transaction involving ERC. s a result, on 6 August 2009 ERC announced that it had received a proposal from STT Communications Ltd (STTC) to acquire the entire issued share capital of ERC. The proposal included terms and conditions that the ERC Board was unable to satisfy or that they could not recommend to shareholders. The ERC board is continuing negotiations with STTC in an effort to improve the Proposal and its terms and conditions to reach an outcome that will enable the ERC Board to announce a recommended proposal. The ERC board can give no assurance that a recommended proposal will result from these negotiations with STTC.

DIRECTORS' REPORT

The Directors of eircom Holdings Limited ("the Company" or "ERC") submit their report on the eircom Holdings Group ("the Group") consisting of the Company, and its controlled entities, for the year ended 30 June 2009.

DIRECTORS

The Directors of the Company who held office during the year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Kerry Roxburgh	Independent Non-Executive Chairman
Gregory Clark	Independent Non-Executive Director
Andrew Love	Independent Non-Executive Director

Andrew Day (Chief Executive Officer and Executive Director) was appointed on 27 February 2009 and continues in office as at the date of this report. Phillip Green was a Director from the beginning of the financial year until his resignation on 13 September 2008. Robert Topfer was a Director from the beginning of the financial year until his resignation on 17 September 2008.

CORPORATE INFORMATION AND STRUCTURE

eircom Holdings Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company was incorporated on 8 December 2004 and was listed on the Australian Stock Exchange on 14 February 2005. eircom Holdings Limited changed its name from Babcock & Brown Capital Limited to eircom Holdings Limited on 27 April 2009.

Since incorporation, the Company has established a number of subsidiary companies. These are set out in Note 33 of the financial statements.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Company was established as an investment company, focusing on a concentrated portfolio with a flexible investment horizon. Once its existing investments are realised, ERC will outline a strategic plan for the future of the Company after consultations with ERC shareholders. The Board has no intention of making further acquisitions until that process has been completed.

DIVIDENDS

The Directors do not propose a dividend for the year to 30 June 2009 (2008: nil).

REVIEW OF OPERATIONS AND RESULTS REVIEW

Information on the operations and results of the Group for the year is set out in the review of operations on pages 2 - 3 of the annual report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the Group were as follows:

- On 27 February 2009;
    - Shareholders approved a $100.7 million ($0.60 per share) return of capital which was paid to shareholders on 17 March 2009. Shares began trading on an "ex" return of capital basis on 3 March 2009.
    - the Company announced a $1,422 million goodwill impairment
    - the Company announced the appointment of Mr Andrew Day as the new Chief Executive Officer and Executive Director of the Company. Mr Day was employed directly by the Company.
    - The Company changed its name from Babcock & Brown Capital Limited to eircom Holdings Limited.
- On 27 April 2009, Shareholders approved the termination of the Management Agreement with Babcock & Brown Capital Management Pty Limited ("the Management Company", or "Manager") and the change of name to eircom Holdings Limited.
- On 8 July 2009, the Company announced that it had entered into a Restructure Agreement with the bondholders of its second major investment, G.P.M. Classified Directories (Management & Marketing) Ltd ("GPM"). The Restructure will result in GPM ceasing to be a subsidiary. It is expected that the Restructure will be completed towards the end of September 2009.
- On 31 July 2009, the Company convened a general meeting to consider a further return of capital to shareholders of $134.3 million ($0.80 per share). The meeting is to take place on 15 September 2009, with payment proposed for 30 September 2009.
- On 6 August 2009, the Company announced that it had received a definitive proposal from STT Communications Ltd ("STTC") for the shares of ERC. Negotiations regarding this proposal are continuing.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 8 July 2009, the Company announced that it had entered into a Restructure Agreement with the bondholders of its second major investment, GPM. The Restructure will result in GPM ceasing to be a subsidiary. It is expected that the Restructure will be completed towards the end of September 2009.

On 31 July 2009, the Company convened a general meeting to consider a further return of capital to shareholders of $134.3 million ($0.80 per share). The meeting is to take place on 15 September 2009, with payment proposed for 30 September 2009.

On 6 August 2009, the Company announced that it had received a definitive proposal from STT Communications Ltd (STTC) to purchase the shares of ERC. Negotiations regarding this proposal are continuing.

FUTURE DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

In the opinion of the Directors, disclosure of other information regarding likely developments in the operations of the Group and the expected results of those operations would prejudice the interests of the Company. Accordingly, this information has not been included in this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

To the best of their knowledge and belief after making due enquiry, the Directors have determined that the Group has complied with all significant environmental regulations applicable to its operations.

INFORMATION ON DIRECTORS

Name, independence status and special responsibilities	Qualifications and experience
Kerry C D Roxburgh *Non-Executive Chairman.* Age 68. BComm, MBA, SDIAM Chairman of the Board Member of the Nomination, Governance & Remuneration Committee Member of the Audit, Risk & Compliance Committee	***Experience and expertise*** Independent Non-Executive Director since February 2006. Mr Roxburgh has extensive experience on the boards of listed and unlisted companies. SDIA Practitioner Member. ***Other current listed company directorships*** Non-Executive Chairman of Charter Hall Group (since April 2005) Non-Executive Director of Ramsay Health Care Ltd (since July 1997) ***Former listed company directorships in last 3 years*** E*Trade Australia Limited (February 1996 to June 2007) Everest Babcock & Brown Limited (April 2005 to May 2009) BTIG Australia Limited (November 2007 to November 2008) ***Interests in Shares and Options*** 1,000,000 options in eircom Holdings Limited.
Dr Gregory J Clark *Non-Executive Director.* Age 67. PHD, BSC(HONS), FAP, FTSE Chairman of the Nomination, Governance & Remuneration Committee Member of the Audit, Risk & Compliance Committee	***Experience and expertise*** Independent Non-Executive Director since August 2006. Dr Clark is Principal of Clark Capital Partners, a US based firm that advises internationally on technology and the technology marketplace. Previously he held senior executive positions in IBM, News Corporation and Loral Space and Communications. ***Other current listed company directorships*** Non-Executive Director of ANZ Banking Group Limited ***Former listed company directorships in last 3 years*** ***Interests in Shares and Options*** 1,000,000 options in eircom Holdings Limited
Andrew Love *Non-Executive Director.* Age 56. BCOM, FCA, MAIDC Chairman of the Audit, Risk & Compliance Committee Member of the Nomination, Governance & Remuneration Committee	***Experience and expertise*** Independent Non-Executive Director since April 2008. Mr Love was a Senior Partner with Ferrier Hodgson. Mr Love has had over 30 years experience in corporate recovery and reconstruction. He has had experience at the public company level in the energy, mining and exploration, mortgage securitisation and international property sectors. ***Other current listed company directorships*** Non-Executive Director of ROC Oil Company Limited Non-Executive Director of Riversdale Mining Limited Non-Executive Director of Lend Lease Primelife Limited ***Former listed company directorships in last 3 years*** Non-Executive Director of Principal Real Estate Investors (Australia) Limited ***Interests in Shares and Options*** Nil
Andrew M Day *Chief Executive Officer.* Age 55. BENG, BSC, MESC	***Experience and expertise*** Chief Executive Officer and Executive Director since February 2009. Mr Day previously held the position of Chief Executive Officer at Truvo Services. Mr Day has extensive telecommunications and print / online media experience having spent almost 25 years with Telstra Corporation Limited in a number of senior executive divisional head positions including more than six years as Chief Executive Officer of Sensis Pty Ltd. ***Other listed company directorships (current and last 3 years)*** Nil ***Interests in Shares and Options*** Nil

INFORMATION ON SECRETARIES

Name, independence status and special responsibilities	Qualifications and experience
Haydn Vella *Chief Financial Officer and Company Secretary* BBUS, CA, F.FIN	Haydn Vella was appointed Company Secretary on 28 April 2009. ***Experience and expertise*** Haydn joined Babcock & Brown in March 2005 as Financial Controller of BCM and was appointed Chief Financial Officer of BCM in November 2008 and is also responsible for the Company Secretarial function and corporate governance for the boards and committees of these Group entities. Prior to joining Babcock & Brown, Haydn was employed by Fosters' Group Limited and PricewaterhouseCoopers. Haydn studied Bachelor of Business at Swinburne University in Melbourne and has been a qualified Chartered Accountant since 2000 and also holds a Graduate Diploma in Applied Investment and Finance with the Australian Securities Institute.

DIRECTOR'S MEETINGS

	Scheduled Directors' Meetings		Meetings of Committees: Audit, Risk & Compliance		Meetings of Committees: Nomination, Governance & Remuneration	
	A	B	A	B	A	B
Andrew Love[1]	23	24	5	5	1	1
Gregory Clark[2]	22	24	1	1	2	2
Kerry Roxburgh	24	24	5	5	2	2
Andrew Day	7	7	**	**	**	**
Robert Topfer (resigned 17 September 2008)	4	5	**	**	**	**
Phillip Green (resigned 13 September 2008)	3	5	**	**	**	**
John Fanning[3] (resigned 24 March 2009)	N/A	N/A	3	4	**	**

[A] = Number of meetings attended
[B] = Number of meetings held during the time the director held office or was a member of the committee during the year
[1] Andrew Love was appointed as a member to the Nomination, Governance and Remuneration Committee on 7 May 2009
[2] Greg Clark was appointed as a member to the Audit, Risk and Compliance Committee on 7 May 2009.
[3] John Fanning was a Committee member supplied by the Management Company but is not a director of the Company.
** Not a member of that committee

Independent Non-Executive Directors frequently attended general business and transaction specific updates to maintain an understanding of business progress and activities.

REMUNERATION REPORT

The Remuneration Report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service Agreements
D. Share based compensation

The Remuneration Report for the Group details the remuneration policies and arrangements of the Company's ("ERC") directors and the ERC Group's Executives. It also covers remuneration arrangements for executives provided by the Management Company (Babcock & Brown Capital Management Pty Ltd ("ERC")) to the date of the termination of the Management Agreement, 27 April 2009. The Company's Non-Executive Directors are paid a fee, details of which are shown below under the heading, 'Non-Executive Directors'.

A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

The framework provides a mix of fixed and variable pay, and a blend of short- and long-term incentives. As executives gain seniority with the group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The Board has established a Nomination, Governance and Remuneration Committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Role of the ERC Nomination, Governance and Remuneration Committee

In relation to its remuneration function, the Nomination, Governance and Remuneration Committee is required to:

- critically review the performance and effectiveness of the Chairman, the Executive Director & CEO, the Board and its individual members against the relevant charters, corporate governance policies and agreed goals and objectives at least once per year;
- consult with the CEO in respect of the Key Performance Indicators (KPIs) for each of the Key Management Personnel (**KMP**) as determined by the CEO and provide feedback to the CEO about their respective performance against such KPIs at least once per year;
- provide input and advice to the CEO about remuneration of Key Management Personnel or other individuals, based on the Group's remuneration principles and practices;
- review and advise the Board on the Remuneration Report to be disclosed in the Company's annual financial report;
- monitor any amendments to the Group's remuneration principles and practices and report such amendments to the Board, as appropriate;
- consider and make recommendations for approval by the Board of the formation of any long term incentive plans (LTI) recommended by the CEO involving the issue of shares in the Company and to monitor and review these plans for compliance with changes to legislation, regulation and market expectations or practice; and
- make recommendations to the Board for determining the level of remuneration to be applied to the independent directors of the Company.

Membership of the ERC Nomination, Governance and Remuneration Committee

The ERC Nomination, Governance and Remuneration Committee consists of three Independent Non-Executive Directors. Its members throughout 2008/2009 were:

- Gregory Clark (Chair)
- Kerry Roxburgh
- Andrew Love (appointed 7 May 2009)
- Robert Topfer (resigned 17 September 2008)
- Phillip Green (resigned 13 September 2008)

B. DETAILS OF REMUNERATION

Independent Non-Executive Directors

Independent Non-Executive Directors' fees, including committee fees and subsidiary Board membership fees, are determined by the ERC Board within the aggregate amount approved by Shareholders. The current maximum aggregate amount which may be paid to all independent Non-Executive Directors is $1,000,000 per annum as approved by Shareholders and this limit is reviewed annually. Fees and payments made to Independent Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Babcock & Brown senior executives who were directors of ERC were allocated the same amount of remuneration as the independent directors, however these senior executives did not directly receive any remuneration for their role as director as these amounts are included as part of the fee paid to the Manager.

Independent Non-Executive Directors receive a cash fee for their services. Independent Non-Executive Directors do not receive any performance-based remuneration or any retirement benefits, other than receiving statutory superannuation.

Fees payable to Non-Executive Directors during the year ended 30 June 2009 are set out below:

Board / Committee	Role	Fee
Board	Chair	$ 187,500
Board	Member	$ 125,000
Board or Committee	Member of investment company board or committee	$100,000 - 105,000

The fees payable to the Independent Non-Executive Directors include their services on the Audit, Risk & Compliance and Nomination, Governance & Remuneration Committees and subsidiary Board memberships.

Table 1: Independent non-executive option holdings – as at 30 June 2009

	Terms and Conditions for Each Grant							
	Granted Number	Grant date	Forfeited Number	Value per Option (average)	Total Value	Exercise Price per Share	First Exercise Date	Last Exercise Date
				$	$	$		
Kerry Roxburgh	1,000,000	9 February 2006	-	0.389	388,466	$5.00	28 August 2007	14 February 2012
Gregory Clark	1,000,000	8 November 2006	-	0.135	135,167	$5.00	28 August 2007	14 February 2012
TOTAL	**2,000,000**		**-**		**$523,633**			

Executives

The following persons were Executives of ERC during the financial year:

Andrew Day	Chief Executive Officer (appointed 27 February 2009)
Haydn Vella	Chief Financial Officer
Damien Wodak	General Manager – Investment and Strategy (appointed 8 May 2009)
John Fanning	Chief Investment Officer (resigned 2 September 2008)
Deborah Kelly	Chief Operating Officer (resigned 25 August 2008)

Mr Fanning, Ms Kelly and Mr Vella were employed by Babcock & Brown Australia Pty Limited, while Babcock & Brown was the Manager. Mr Vella's employment was transferred to ERC upon termination of the Management Agreement on 28 April 2009. Mr Day and Mr Wodak were employed directly by ERC.

Executive Pay

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation
- short-term performance incentives; and
- long-term incentives for the CEO through participation in the Share Performance Rights Plan.

The combination of these comprises an executive's total remuneration.

Base Pay

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Short-term incentives

If the Group achieves pre-determined targets set by the Nomination, Governance and Remuneration committee, a short-term incentive (STI) pool is available to executives during the annual review. Each executive has a target STI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The maximum target bonus opportunity is 65% of base pay. Cash incentives (bonuses) are payable in February each year.

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI. Post internalisation from Babcock & Brown, KPIs are linked to STI plans based on group, individual business and personal objectives. The KPIs require performance in achieving specific targets in relation to shareholder value added (SVA), as well as other key, strategic non-financial measures linked to drivers of performance in future reporting periods.

The remuneration committee is responsible for assessing whether the KPIs are met. To help make this assessment, the committee receives detailed reports on performance from management. The short-term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the Nomination, Governance and Remuneration committee.

The STI target annual payment is reviewed annually.

Long-term incentives

Long-term incentives were provided to the Independent Non-Executive Directors via the ERC Share Option Plan, see page 84 for further information. Long-term incentives are provided to the CEO via Share Performance Rights, see page 84 for futher information.

Details of the remuneration of the directors, the key management personnel (KMP) of the Group (as defined in AASB 124 *Related Party Disclosures)* and specified executives of ERC are set out in the following tables.

The key management personnel of the Group are the directors of eircom Holdings Limited and those executives that report directly to the Chief Executive Officer, being:

- Haydn Vella – Chief Financial Officer
- Damien Wodak – General Manager – Investment and Strategy
- John Fanning – Chief Investment Officer (until his resignation on 2 September 2008)
- Deborah Kelly – Chief Operating Officer (until her resignation on 25 August 2008)

In addition, the same persons are disclosed under the *Corporations Act 2001* as they are among the 5 highest remunerated Group and/or Company executives

Table 2: Remuneration of the Directors for the year ended 30 June 2009

Details of the nature and amount of each element of the emoluments of each Director of ERC and of the consolidated entity for the year ended 30 June 2009 are set out in the table below.

		Short-term employee benefits				Post-employment benefits	Long-term employee benefits	Total
	Year	Salary	Additional Service Fee for the current period	STIP relating to prior years	Non-monetary benefits	Superannuation	Share based payments[2]	
		$	$	$	$	$	$	$
Independent Non-Executive Directors								
Kerry Roxburgh (Chairman)	**2009**	**292,500**	**50,000**	**-**	**-**	**13,745**	**-**	**356,245**
	2008	262,275	-	-	-	13,129	41,787	317,191
Gregory Clark	**2009**	**160,000**	**50,000**	**-**	**-**	**13,745**	**-**	**223,745**
	2008	201,100	-	-	-	13,129	27,946	242,175
Andrew Love[3]	**2009**	**209,697**	**50,000**	**-**	**-**	**13,121**	**-**	**272,818**
	2008	33,948	-	-	-	3,055	-	37,003
Total remuneration for Independent Non-Executive Directors	**2009**	**662,197**	**150,000**	**-**	**-**	**40,611**	**-**	**852,808**
	2008	577,924	-	-	-	36,813	128,816	743,553
Other Non-Executive Directors								
Phillip Green[1]	**2009**	**25,684**	**-**	**-**	**-**	**-**	**-**	**25,684**
	2008	104,850	-	-	-	-	-	104,850
Robert Topfer[1]	**2009**	**27,054**	**-**	**-**	**-**	**-**	**-**	**27,054**
	2008	104,850	-	-	-	-	-	104,850
Total remuneration for other Non-Executive Directors	**2009**	**52,738**	**-**	**-**	**-**	**-**	**-**	**52,738**
	2008	209,700	-	-	-	-	-	209,700
Total remuneration for Directors	**2009**	**714,935**	**150,000**	**-**	**-**	**40,611**	**-**	**905,546**
	2008	787,624	-	-	-	36,813	128,816	953,253

[1] Remuneration paid during the year to Directors supplied by the Management Company (Robert Topfer and Phillip Green) is not paid by the Company. This remuneration was paid in respect of their wider responsibilities relating to the Babcock & Brown Group, of which the directorship of ERC is a part.

It is not practicable or meaningful to apportion the remuneration to the time spent directly on the Non-Executive Directorship supplied by the Management Company, for Robert Topfer and Phillip Green. The figure presented for Phillip Green and Robert Topfer for the year was based on the independent non-executive fee paid by the Group to other Non-Executive Directors.

[2] Equity options have been valued using a Binomial pricing model. Option values for Independent Non-Executive Directors Kerry Roxburgh and Gregory Clark represent options granted in ERC.

[3] Andrew Love was appointed as Director on 21 April 2008.

REMUNERATION REPORT (CONTINUED)

Table 3: Remuneration of the KMP of the Group and Executives of the Company for the year ended 30 June 2009

		Short-term employee benefits			Post-employment benefits		Long-term employee benefits	
	Year	Salary $	Retention Bonus / STIP $	Non-monetary benefits $	Long Service Leave $	Superannuation $	Share based payments $	Total $
ERC Group Executives								
Andrew Day (Chief Executive Officer)	2009	364,110	-	-	-		246,250[1]	610,360
Haydn Vella (Chief Financial Officer)	2009	210,000	125,500	-	3,000	13,745	(36,622)[4]	315,623
Damien Wodak (General Manager – Strategy and Investment)	2009	34,240	-	-	-	-	-	34,240
John Fanning[2,3] (Chief Investment Officer)	2009	42,901	-	-	1,067	3,861	-	47,829
Deborah Kelly[2,3] (Chief Operating Officer)	2009	3,770	-	-	-	339	-	4,109
Total remuneration for Group Executives	**2009**	**655,021**	**125,500**	**-**	**4,067**	**17,945**	**209,628**	**1,012,161**

[1] Share Performance Rights (**SPRs**) have been valued using assessments of market value of an ERC share, allowing for the probability of a vesting event. There have been 1,500,000 SPRs granted to Andrew Day.

[2] Babcock & Brown executive fees paid for their service to ERC cannot be determined due to other commitments within Babcock & Brown Limited Group. The remuneration has been based on an assessment by management of ERC of the services performed directly for ERC.

[3] John Fanning resigned as Chief Investment Officer on 2 September 2008 and Deborah Kelly resigned as Chief Operating Officer on 25 August 2008.

[4] Options issued to Haydn Vella were issued in Babcock & Brown Limited shares in 2006. These options were cancelled.

Table 3: Remuneration of the Executives for the year ended 30 June 2008

		Short-term employee benefits			Post-employment benefits		Long-term employee benefits	
	Year	Salary $	Cash Bonus $	Non-monetary benefits $	Long Service Leave $	Superannuation $	Share based payments $	Total $
ERC Group Executives								
John Fanning[2] (Chief Investment Officer)	2008	333,333	-	-	-	-	-	333,333
Deborah Kelly[2] (Chief Operating Officer)	2008	166,667	-	-	-	-	-	166,667
Haydn Vella (Group Financial Controller)	2008	165,000	160,000	3,738	2,750	13,129	15,980[1]	360,597
Total remuneration for Group Executives	**2008**	**665,000**	**160,000**	**3,738**	**2,750**	**13,129**	**15,980**	**860,597**

[1] Options issued to Haydn Vella were issued in Babcock & Brown Ltd shares in 2006.

[2] Babcock & Brown executive fees paid for their service to ERC cannot be determined due to other commitments within Babcock & Brown Limited Group. The remuneration has been based on an assessment by management of ERC of the services performed directly for ERC.

Table 4: Remuneration of the Secretary for the year ended 30 June 2009

		Short-term employee benefits			Post-employment benefits		Long-term employee benefits	
	Year	Salary	Cash Bonus	Non-monetary benefits	Long Service Leave	Superannuation	Share based payments	Total
		$	$	$	$	$	$	$
Secretaries								
Haydn Vella[1]	**2009**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2008	-	-	-	-	-	-	-
Francis Giordano[2,4]	**2009**	**6,185**	**-**	**-**	**53**	**556**	**-**	**6,794**
	2008	-	-	-	-	-	-	-
Simone Lander[3,4]	**2009**	**24,029**	**-**	**-**		**1,912**	**-**	**25,941**
	2008	51,180	47,340	-	853	3,939	2,648	105,960
Total remuneration for secretaries	**2009**	**30,214**	**-**	**-**	**53**	**2,468**	**-**	**32,735**
	2008	51,180	47,340	-	853	3,939	2,648	105,960

[1]Haydn Vella was appointed on 28 April 2009. Mr Vella's remuneration for his role as Company Secretary is included with his remuneration as Chief Financial Officer.

[2]Francis Giordano was appointed on 20 January 2009 and resigned on 28 April 2009.

[3]Simone Lander resigned on 20 January 2009.

[4] Babcock & Brown executive fees paid for their service to ERC cannot be determined due to other commitments within Babcock & Brown Limited Group. The remuneration has been based on an assessment by management of ERC of the services performed directly for ERC.

Table 5: Remuneration components as a proportion of total remuneration

		Performance-based remuneration		
2009	**Fixed Remuneration**	**Cash STIP**	**Share based payments[1]**	**Total**
Directors	**(%)**	**(%)**	**(%)**	**(%)**
Kerry Roxburgh	100		-	**100**
Gregory Clark	100		-	**100**
Phillip Green	100	-	-	**100**
Andrew Love	100		-	**100**
Robert Topfer	100	-	-	**100**
Andrew Day	60	-	40	**100**
ERC Group Executives				
John Fanning	100	-	-	**100**
Deborah Kelly	100	-	-	**100**
Haydn Vella	60	40	-	**100**

[1] Share–based payments include share performance rights.

Table 6: Remuneration that vests in future years

	Remuneration subject to vesting	
	2010	**2011**
Executives		
Andrew Day	-	1,477,500

[1]Share Performance Rights (**SPRs**) have been valued using assessments of market value of an ERC share, allowing for the probability of a vesting event. There have been 1,500,000 SPRs granted to Andrew Day.

C. SERVICE AGREEMENTS

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of letter of appointment. The letter summarises the Board policies and also includes compensation, relevant to the office of Director.

Remuneration and other terms of employment for the Chief Executive Officer, Chief Financial Officer and General Manager – Strategy are also formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses, and for the CEO, participation in a Share Performance Rights Plan.

The employment contracts of Group Executives contain the conditions below:

Andrew Day

Term of Agreement	2 years commencing 27 February 2009
Base Pay	$900,000, to be reviewed annually
STIP Participation	To a maximum of 65% of base salary
Non-compete clauses	Upon termination, Andrew Day will require board approval to compete with ERC in a similar business in Ireland or Israel for 12 months from the date of termination
Notice period	Employment of Andrew Day can be terminated by either party on six months written notice

Haydn Vella

Term of Agreement	Ongoing
Base Pay	$230,000 plus superannuation, reviewed annually
STIP Participation	To a maximum of 50% of base salary
Non-compete clauses	Not applicable
Notice period	Employment of Haydn Vella can be terminated by either party on three months written notice

Damien Wodak

Term of Agreement	18 months, commencing 10 June 2009
Base Pay	£206,000, reviewed annually
STIP Participation	To a maximum of 50% of base pay
Non-compete clauses	Upon termination, Damien Wodak will be prohibited from competing with ERC for 6 months from the date of termination
Notice period	18 month fixed term, although Damien Wodak may terminate his employment on three months written notice to ERC

D. SHARE BASED COMPENSATION

Share Performance Rights

Given that Shareholder approval for the issue of the Share Performance Rights to Mr Day was not obtained at the General Meeting of 27 April 2009, Mr Day will be entitled to receive a cash payment upon a vesting condition being satisfied equal to the value of the Share Performance Rights that would have otherwise been allocated to him upon a vesting condition being satisfied, determined by reference to the 30 day volume weighted average price (VWAP) of ERC shares as at the date the vesting condition is satisfied.

One of the following vesting conditions must be satisfied before the end of Mr Day's two year term (end of February 2011) for Mr Day to become entitled to such a cash payment:

- a person obtains a relevant interest in more than 50% of ERC Shares;
- a scheme of arrangement between the Company and Shareholders proposed in accordance with Part 5.1 of the Corporations Act is approved by Shareholders and results in a listing on a European exchange in relation to which Shareholders are entitled to participate or receive benefits;
- the sale by the Company of all or a substantial majority of its investment in eircom to a third party;
- the VWAP of Shares traded on ASX in any consecutive 20 business day period before the end of Mr Day's two-year term exceeds $5.00, less the aggregate amount of any capital return (including the $0.60 recently returned to Shareholders) or any dividend paid on a Share between the date of Mr Day's Executive Service Agreement and the end of the term.

Share Holdings

Refer to Note 28 in the Financial Statements for the further information regarding option and share holdings for ERC directors and KMP.

Indemnification and Insurance of Officers

On a full indemnity basis and to the full extent permitted by law, the Company indemnifies each person (an "Indemnitee") who is or has been a Director or Company Secretary of the Company or any of its subsidiaries, and each Director who acts or has acted as a representative of the Company serving as an officer of another entity at the request of the Company. An Indemnitee is indemnified against any liability (other than legal costs) incurred in the discharge of their duties as an officer of the Company or such other entity except where the liability is a liability owed to the Company or a related body corporate or the liability arises out of conduct involving a lack of good faith on the part of the indemnitee or conduct attracting the civil penalty provisions of the Corporations Act.

Indemnitees are also indemnified by the Company for costs (including legal costs) and expenses incurred in defending an action for a liability incurred in acting as an officer of the Company or any of its subsidiaries or such other entities. In addition, the Company may indemnify any other officer or former officer of the Company against those liabilities and costs on the same basis.

The Company has agreed to pay a premium for a policy of insurance designed to indemnify the Company's Directors and officers and those of its subsidiaries.

Indemnity of auditors

The Company has agreed to indemnify the auditor against any liability that may result from any third party claims arising out of or in relation to the audit and associated services and for legal costs incurred in connection with such claims. The indemnity applies only the extent that it is not prohibited by law.

Non-Audit Services

During the year, the Company had in place a policy to maintain perceived as well as actual independence of the auditor. Under this policy, non-audit services are sought from other service providers in preference to PricewaterhouseCoopers unless there is a compelling reason to engage PricewaterhouseCoopers on a particular assignment. In the situation where PricewaterhouseCoopers remains preferred advisor, the Audit, Risk and Compliance Committee will be required to approve the appointment.

The Directors were satisfied that the provision of this non-audit service by PricewaterhouseCoopers was compatible with, and did not compromise, the general standards of independence imposed by the *Corporations Act 2001*, for the following reasons:

- The non-audit service was subject to the corporate governance procedures adopted by the Company and was reviewed by the Audit, Risk and Compliance Committee in terms of the Audit Independence and Provision of Non-Audit Services by the External Auditor Policy to ensure that it did not impact the integrity and objectivity of the Auditor and was not in conflict with the Auditor's role as statutory auditor; and
- The non-audit service provided did not involve reviewing or auditing the Auditors' own work, acting in a management or decision making capacity for the Company or the Group, acting as an advocate for the Company or jointly sharing risks and rewards.

PricewaterhouseCoopers received the following for the provision of non-audit services:

	Consolidated 2009 $'000
1. Other audit-related services	
PricewaterhouseCoopers - Australian firm	
Other audit related services	34
Related practices of PricewaterhouseCoopers - Australian firm	
Audit of regulatory returns	2,129
Other audit related services	1,212
Total remuneration for other audit-related services	**3,375**
2. Taxation services	
Related practices of PricewaterhouseCoopers – Australian firm	
Tax compliance services	81
Total remuneration for taxation services	**81**
3. Other advisory services	
Related practices of PricewaterhouseCoopers – Australian firm	
Other advisory services	1,403
Total remuneration for other advisory services	**1,403**
Total remuneration for non-audit services	**4,859**

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the "rounding-off" of amounts in the Directors' Report and Financial Report. In accordance with the Class Order, reported amounts have been rounded to the nearest $1,000, unless otherwise indicated.

Corporate Governance

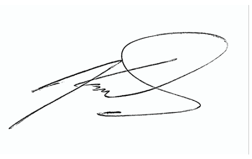
In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support, and have adhered to, the principles of corporate governance set out in the Company's Corporate Governance Statement.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 24 and forms part of this report for the year ended 30 June 2009.

Resolution of Directors

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



Kerry Roxburgh
Chairman
Sydney, 27 August 2009

CORPORATE GOVERNANCE STATEMENT 2009

INTRODUCTION

This statement reflects eircom Holding's ("**ERC**") corporate governance framework as at 27 August 2009. A copy of this statement and other documents (or summaries thereof) can be accessed and downloaded from the Corporate Governance section on our website at www.eircomholdings.com.

The ERC Board is responsible for overseeing the rights and interests of all investors and is accountable to them for the overall governance and management of ERC. The ERC Board formulates and approves the strategic direction, investment objectives and goals of ERC.

The establishment of a sound framework of corporate governance and the implementation of the corresponding governance culture and processes throughout ERC is one of the primary responsibilities of the Board. The Board recognises they are accountable to shareholders for the performance of ERC and, to that end, are responsible for instituting and ensuring ERC maintains a system of corporate governance that operates in the best interests of shareholders whilst also addressing the interests of other key stakeholders. A comprehensive corporate governance framework and good governance policies and procedures can add to the performance of ERC, the creation of shareholder value and engender the confidence of the investment community.

The ASX Limited's Corporate Governance Council issued in August 2007 a revised set of guidelines entitled *Corporate Governance Principles and Recommendations.* These guidelines articulate 8 core principles (**ASX Principles**) the Council believes underlie good corporate governance, together with 27 recommendations (**ASX Recommendations**) for implementing effective corporate governance.

The ASX Listing Rules require listed entities such as ERC to include a statement in their annual report disclosing the extent to which they have followed the 8 ASX Principles and 27 ASX Recommendations during the reporting period, identifying any ASX Recommendations that have not been followed and giving reasons for that variance. ERC's Corporate Governance Statement is structured with reference to the ASX Recommendations. Areas not fully complied with are disclosed under the relevant principle. All of the corporate governance practices referred to herein were in place for the entire year ended 30 June 2009 unless otherwise indicated.

Compliance with the ASX Recommendations

As at the date of this Corporate Governance Statement, the Boards of ERC advises that their corporate governance practices are in compliance with the Recommendations, except where specifically noted in this Corporate Governance Statement.

ACHIEVEMENTS IN 2008/2009:

The ERC Board undertook a detailed review of the ERC corporate governance framework and has revised all its Charters and Policies, post internalisation.

ASX Principle 1: Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

ROLE OF THE ERC BOARDS AND MANAGEMENT

ASX Recommendation 1.1: Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions

The ERC Board is assisted in its management of the affairs of ERC by its senior executives. Prior to April 2009, the ERC Board was assisted in the management of the Company by the Manager, Babcock & Brown Capital Management Pty Limited. Following termination of the Management Agreement with Babcock & Brown Capital Management Pty Limited in April 2009, a number of the senior executives were employed directly by the Company**.** The functions performed by ERC's senior executives include managing ERC's investments and advising in respect of any exit from those investments. In addition to these more strategic functions, the senior executives have specific operational management duties and carry out management services of ERC on a day-to-day basis.

The senior executives employed by ERC comprises individuals performing the following functions: Chief Executive Officer, Chief Financial Officer, General Manager – Strategy and other finance and company secretarial personnel. The CEO leads the management team which reports to the Board of ERC

The ERC Board has adopted a formal *Board Charter* which details the functions and responsibilities of the Board. A summary of the *Board Charter* is available in the Corporate Governance section on ERC's website at www.eircomholdings.com.

As outlined in the Board Charter, the Board is responsible for the management of the affairs of the Company, including:

- developing, approving and monitoring the corporate strategy, financial plans and objectives of ERC;
- evaluating, approving and monitoring the annual budgets and business plans;
- determining ERC's dividend policy and approving major capital expenditure, capital management and all major acquisitions, divestitures and corporate transactions of ERC;
- approving all accounting policies, financial reports and material reporting of ERC;
- appointing, monitoring and removing the Chairman and other members of the Board, the CEO or equivalent and the Company Secretary;
- reviewing and evaluating the performance of the Board, each Board committee, and each individual Director against the relevant charters, corporate governance policies and agreed goals and objectives;
- approving and monitoring delegations of authority;
- reviewing the performance of the Board, each Board Committee and each individual Director against the relevant Charters, corporate governance policies and agreed goals and objectives;
- ensuring that effective audit, risk management and regulatory compliance programs are in place to protect the Company's assets and shareholder value; and
- reviewing the performance and effectiveness of the Company's corporate governance policies and procedures.

The Board Charter also establishes the specific powers and responsibilities of the Chairman and the CEO. The CEO's powers are subject to the specific powers and authorities delegated to the Chairman and to the various Board committees and the following powers which are retained by the Board:

- contracts, commitments and capital expenditure above specified thresholds and limits determined by the Board from time to time:
- expenditure outside the ordinary course of business in excess of thresholds or limits specified by the Board for this purpose:
- major strategic decisions;
- adoption of the Company's annual budget;
- approval of financial reports and accounts which are to be lodged with any regulator, including the ASX;
- the issue of any equity securities by the Company, except under a program previously approved by the board, and
- commencing or taking a significant step in major litigation.

The Board has delegated a number of these responsibilities to its Committees. The responsibilities of these Committees are detailed in Principle 2 below.

The Board Charter also sets out the specific powers and responsibilities of the Chairman and the CEO (see Principle 2 below).

The Board Charter also includes a summary of the responsibilities of each Director. To assist Directors to understand ERC's expectations of them, all independent Directors have been provided with copies of the Board Charter and policies. Non-independent Directors have formal letters governing their employment.

ASX Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives

The Nomination Governance & Remuneration Committee of the ERC Board has responsibilities relating to the review and monitoring of the performance of the ERC Board, the Chairman, the CEO and other individual members of the ERC Board.

The review of the performance of the ERC Management teams is undertaken by the Nomination, Governance and Remuneration Committee.

The Remuneration Report contains details of ERC's remuneration philosophy and policies including other key performance conditions that are assessed in determining the total remuneration of the Chief Executive Officer and other key management personnel in the ERC Management team.

A performance review for the CEO and other key management personnel in the ERC Management team was undertaken in relation to the year ended 30 June 2009 and details of their total remuneration including bonuses are set out in the Remuneration Report. A full performance evaluation is expected to be performed for the calendar year ending 31 December 2009.

ASX Principle 2: Structure the Board to add value

Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

STRUCTURE OF THE BOARD

ASX Recommendation 2.1: A majority of the board should be Independent Directors

The size and composition of the ERC Board is determined in accordance with the Constitution of ERC, It is intended that the ERC Board will comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds, and will comprise a majority of independent Directors. The ERC Board currently has a majority of Independent Directors.

The ERC Board considers that collectively, the directors have the range of skills, experience and expertise necessary to appropriately govern ERC.

Details of the Directors skills, experience and expertise relevant to their position and their term in office and details of their attendance at Board and/or Committee meetings are set out in the Directors' Report on page 6.

The Directors appointed to the ERC Board, along with their appointment dates, are set out below:

Name	Position	Appointed	Resigned
Kerry Roxburgh	Independent Non-Executive Chairman	9 February 2006	
Gregory Clark	Independent Non-Executive Director	4 August 2006	
Andrew Love	Independent Non-Executive Director	21 April 2008	
Andrew Day	Executive Director	27 February 2009	
Phillip Green	Non-Executive Director	8 December 2004	13 September 2008
Robert Topfer	Non-Executive Director	8 December 2004	17 September 2008

The continued tenure of each individual Director is subject to re-election from time to time in accordance with the Constitution of ERC.

The ERC Board has determined the independent status of each Director utilising the criteria set out in Recommendation 2.1. As shown in the table above, the ERC Board comprised a majority of independent non-executive Directors during the 2009 Financial Year.

BOARD COMMITTEES AND MEMBERSHIP

The ERC Board has established committees to support an effective governance framework and to advise and support the ERC Board in carrying out its respective duties. The Chairman of each committee reports on any matters of substance at the next full Board meeting and all committee minutes are provided to the Board. The committees in existence at the date of this report are as follows:

- The ERC Audit, Risk & Compliance Committee.
- The ERC Nomination, Governance & Remuneration Committee.

Each committee has its own *Charter* setting out the authority under which each committee operates and the responsibilities as delegated by the ERC Board. *Charters* are reviewed annually and membership criteria are based on a director's skills and experience as well as their ability to add value to the Committee.

The Board committees and their membership as at 27 August 2009 are set out in the following table:

	Audit, Risk & Compliance Committee	Nomination, Governance & Remuneration Committee
Kerry Roxburgh	✓	✓
Andrew Love	Chair	✓
Gregory Clark	✓	Chair
Andrew Day	-	-

ASX Recommendation 2.2: The chairperson should be an independent Director.

Mr Kerry Roxburgh was appointed independent Chairman on 26 July 2006.

To ensure that there is an appropriate balance in the manner in which the Directors discharge their responsibilities and an independent review of the performance of management, the ERC Board has:

- established an Audit, Risk & Compliance Committee comprising of a majority of independent Directors and a Nomination, Governance & Remuneration Committee comprising of a majority of independent Directors;
- established protocols for dealing with conflicts of interest. In particular, the ERC Board has put in place a range of internal policies designed to ensure that the interests of shareholders are at all times preferred to those of Directors and that any actual or potential conflicts of interest are promptly disclosed and dealt with by the Directors. These include the Board Charter, the Code of Conduct, the Security Trading Policy and the Employee Investment Policy;
- ensured that significant matters affecting ERC are reserved for consideration by the full Board, for example major strategic decisions, capital expenditure above specified thresholds and expenditure outside the ordinary course of business; and
- any Director is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures set out in the Board Charter. No director availed himself of this right during the year.

ASX Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of Chairman and CEO or equivalent are not exercised by the same individual for ERC. The Board Charters provide that the roles of the Chairman and CEO or equivalent must not be exercised by the same person. The respective roles and responsibilities of the Chairman and the CEO or equivalent are described in the Board Charter.

ASX Recommendation 2.4: The Board should establish a nomination committee.

The ERC Board has established a Nomination, Governance & Remuneration Committee which is responsible for advising the ERC Board on the composition of the Board and their Committees, reviewing the performance of the Board, its Committees and individual Directors and advising the Board on appropriate corporate governance standards and policies. In making recommendations to the ERC Board regarding the appointment of Directors, the Nomination, Governance & Remuneration Committee periodically assesses the appropriate mix of skills, experience and expertise required on the relevant Board and assesses the extent to which those skills and experience are represented. The Nomination, Governance & Remuneration Committee will review the composition of the ERC Board to ensure they remain appropriate.

The Nomination, Governance & Remuneration Committee is comprised of three members all of which are independent non-executive Directors. The Committee is chaired by an independent non-executive Director.

The attendance of the Committee members at Committee Meetings is disclosed on page 6 of the Directors Report.

The Nomination, Governance & Remuneration Committee, previously the Nomination and Governance and Remuneration Committee, merged on 30 May 2008. The Nomination, Governance & Remuneration Committee met twice during the 2009 Financial Year.

The Nomination, Governance & Remuneration Committee has adopted a Charter, a summary of which is available on ERC's website. The responsibilities of the Committee pursuant to its Charter include:

NOMINATION

In relation to its nomination function the Committee will:

- establish criteria for Board membership;
- review the size and composition of the Board;
- periodically assess the skills required to discharge the Board's duties, having regard to the strategic direction of the Group;
- propose candidates for directorships for consideration by the Board having regard to the desired composition as stated in the Board Charter;
- inform the Board of the names of Directors who are retiring in accordance with the provisions of the Constitution of the Company and make recommendations to the Board as to whether the Board should support the re-nomination of that retiring Director. In order to make these recommendations, the Committee will review the retiring Director's performance during the period in which the Director has been a member of the Board;
- establish and facilitate an induction program for new Directors with all such information and advice which may be considered necessary or desirable for the Director to commence his or her appointment to the Board;
- identify any specific responsibilities of individual Board members, including the Chairman and the Chief Executive Officer;
- review succession planning for the Chairman, the Chief Executive Officer and senior management personnel of the Group and provide advice to the Board on progress; and
- review the membership and performance of other Board Committees and make recommendations to the Board.

GOVERNANCE

- review development in corporate governance in Australia and internationally that may be relevant to the Group and to the expectations of the investor market and other stakeholders;
- monitor the corporate governance requirements of regulators, including the Australian Securities & Investments Commission and the Australian Securities Exchange;
- review ethical guidelines and standards for directors;
- advise the Board on corporate governance standards, and on the adoption or amendment of corporate governance policies that would be appropriate for the Group;
- review annually the Group's compliance with its corporate governance policies and procedures, and report to the Board on the results of the review together with any recommendations of the Committee; and
- assist the Board to prepare the Group's corporate governance disclosure statements in its Annual Report.

REMUNERATION

- critically review the performance and effectiveness of the Chairman, the Executive Director & CEO, the Board and its individual members against the relevant charters, corporate governance policies and agreed goals and objectives at least once per year;
- consult with the CEO in respect of the Key Performance Indicators (KPIs) for each of the Key Management Personnel as determined by the CEO and provide feedback to the CEO about their respective performance against such KPIs at least once per year;
- provide input and advice to the CEO about remuneration of Key Management Personnel or other individuals, based on the Group's remuneration principles and practices;
- review and advise the Board on the Remuneration Report to be disclosed in the Company's annual financial report;
- monitor any amendments to the Group's remuneration principles and practices and report such amendments to the Board, as appropriate;
- consider and make recommendations for approval by the Board of the formation of any long term incentive plans (LTI) recommended by the CEO involving the issue of shares in the Company and to monitor and review these plans for compliance with changes to legislation, regulation and market expectations or practice; and
- make recommendations to the Board for determining the level of remuneration to be applied to the independent directors of the Company.

ASX Recommendation 2.5: Companies should disclose the process for evaluating the performance of the Board, its Committees and individual Directors.

The Nomination, Governance & Remuneration Committee informs the ERC Board of the names of Directors who are retiring in accordance with the provisions of the Constitution of the Company and makes recommendations to the Board as to whether it should support the re-nomination of such retiring Directors. In order to make such recommendations, that Committee first reviews the retiring Director's performance during the period in which the Director has been a member of the ERC Board.

The Nomination, Governance & Remuneration Committee also reviews the membership and performance of the various committees established by the Board and makes recommendations to the ERC Board in that regard. A member of the Committee will not participate in the review of their own performance and must not be present for discussions at a Committee meeting on, or vote on a matter regarding, his or her election, re-election or removal.

The Nomination, Governance & Remuneration Committee has undertaken a performance evaluation of the Board as a whole, its committees and individual members for the 2009 financial year. Each director has completed a detailed questionnaire that has been consolidated by the Company Secretary and the ERC Board as a whole reviewed the findings.

The Nomination & Remuneration Committee is also responsible for establishing and facilitating an induction programme for new Directors and making available to them sufficient information and advice to allow them to participate fully and actively in board decision-making at the earliest opportunity.

The ERC Board and its Committees may seek advice from independent experts whenever it is considered appropriate. As noted above, individual Directors, with the consent of the Chairman, may seek independent professional advice on any matter connected with the discharge of their responsibilities, at the Group's expense.

ASX Principle 3: Promote ethical and responsible decision-making.

Companies should actively promote ethical and responsible decision-making.

CODE OF CONDUCT

ASX Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code.

The ERC Board are committed to delivering strong returns and shareholder value whilst also promoting shareholder and general market confidence in ERC and to fostering an ethical and transparent culture within ERC.

To this end, the ERC Board has adopted a formal *Code of Conduct* which is designed to ensure that:

- high standards of corporate and individual behaviour are observed by all Directors and employees in the context of their employment and in relation to all of ERC's activities; and
- employees are aware of their responsibilities to ERC under their contract of employment and always act in an ethical and professional manner and in the best interests of ERC shareholders.

The Code of Conduct requires Directors and employees, among other things, to:

- avoid conflicts of interest between their personal interests and those of ERC and its clients;
- not take advantage of opportunities arising from their position for personal gain or in competition with ERC; and
- comply with ERC's Security Trading Policy and other policies.

The Code of Conduct requires Directors and employees to report any actual or potential breach of the law, the Code of Conduct or other ERC policies. ERC promotes and encourages ethical behaviour and provides protection for those who report violations. A copy of the Code of Conduct is available on ERC's website.

In addition to the Code of Conduct, the Board Charters require that all Directors conduct their duties with the highest level of honesty and integrity, observe the rule and spirit of the law, comply with any relevant ethical and technical standards, not make improper use of any confidential information, and set a high standard of fairness, diligence and competency in their position as a Director.

ERC recognises that it has a number of legal and other obligations to its non-shareholder stakeholders, including employees, clients and the wider community.

As outlined above, ERC has established a Code of Conduct requiring Directors and employees to observe high standards of corporate and individual behaviour. The objectives of the Code include ensuring that employees, suppliers, clients and competitors can be assured that ERC will conduct its affairs in accordance with ethical values and practices. Employees are required to comply with both the spirit as well as the letter of the ASX Listing Rules and all laws which govern the operations of ERC. The Code of Conduct specifically requires all employees to always deal with shareholders, clients, customers, suppliers, competitors and other employees in a manner that is lawful, diligent and fair and with honesty, integrity and respect.

In accordance with its Code of Conduct, ERC aims to provide a work environment in which all employees can excel regardless of race, religion, age, disability, gender, sexual preference or marital status. In this regard, ERC maintains various policies relating to the workplace, including in respect of non-discrimination and occupational health and safety issues.

These principles of fairness, honesty and propriety are essential elements of the various policies which have been adopted by ERC.

SHARE TRADING POLICY

ASX Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

ERC has implemented a formal *Share Trading Policy* which regulates the manner in which Directors and employees can buy or sell ERC securities, and requires they conduct their personal investment activities in a manner that is lawful and avoids conflicts between their own interests and those of ERC.

The policy is specifically designed to raise awareness and minimise any potential for breach of regulations relating to insider trading contained in the Corporations Act. The policy is also designed to minimise the chance that misunderstandings or suspicions arise regarding employees trading while in possession of non-public price-sensitive information. The policy is applicable to all ERC Directors and employees, as well as key executives of ERC's subsidiary companies.

The policy specifies trading windows as the periods during which trading in ERC securities can occur. These trading windows will generally be for a period of up to eight weeks following the release of ERC's full-year or half-year results, up to eight weeks following ERC's Annual General Meeting, and the offer period under any prospectus or similar offer document. Trading is prohibited despite a window being open if the relevant person is in possession of non-public price-sensitive information regarding ERC. The ERC Board may authorise the opening of trading windows at other times. The CEO or equivalent and other key management personnel are required to notify the Company Secretary (who in turn notifies the Chairman) of any proposed trading by them in securities issued by ERC and the details of any completed trades.

A copy of ERC's Share Trading Policy is available on ERC's website.

ASX Principle 4: Safeguard Integrity in Financial Reporting.

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

AUDIT, RISK & COMPLIANCE COMMITTEE

ASX Recommendation 4.1: The board should establish an audit committee.

The ERC Board are committed to the basic principle that ERC's financial reports are true and fair and comply with the relevant accounting standards. To assist the ERC Board with this commitment, an Audit, Risk & Compliance Committee of the ERC Board has been established which is responsible for advising the ERC Board on internal controls and appropriate standards for the financial management of ERC. It is the ERC Board's responsibility to ensure that an effective internal control system is in place across ERC. This includes internal controls to deal with both the effectiveness and the efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The ERC Board has delegated the responsibility for the establishment and maintenance of the company's system of internal control to the Audit, Risk & Compliance Committee.

The Committee oversees the financial reporting process, the systems of internal control and risk management, the audit process and the Company's processes for monitoring compliance with laws and regulations.

The Audit, Risk & Compliance Committee provides advice to the ERC Board and reports on the status of the business risks to ERC through its risk management processes aimed at ensuring risks are identified, assessed and properly managed.

The Committee works on behalf of the ERC Board with the external auditor and reviews non-audit services provided by the external auditor to confirm that they are consistent with maintaining external audit independence.

ASX Recommendation 4.2: The audit committee should be structured so that it:

- ***consists only of non-executive directors;***
- ***consists of a majority of independent directors;***
- ***is chaired by an independent chair, who is not the chair of the board; and***
- ***has at least three members***

The Audit, Risk & Compliance Committee is comprised of only independent non-executive Directors.

The attendance of the Committee members at Committee Meetings is disclosed in the Directors' Report.

For the period 1 July 2008 to 27 March 2009, the ERC Audit, Risk & Compliance Committee comprised Andrew Love (independent non-executive Chairman) Kerry Roxburgh (independent non-executive Committee member) and John Fanning. On 24 March 2009 Mr Fanning resigned from the Committee. On 7 May 2009, Mr Greg Clark was appointed as an independent non-executive Committee member. All members possess the requisite financial expertise.

The structure of ERC's Audit, Risk & Compliance Committee accords with ASX Recommendation 4.2 in all matters that the Committee comprises a majority of independent Directors, has an independent chairman who is not the chairman of the ERC Board and has at least three members.

The ERC Audit, Risk & Compliance Committee generally meets as required but normally meets not less than four times per year. The ERC Audit, Risk & Compliance Committee reports to the full ERC Board following each Committee meeting including making any recommendations that require Board approval or action.

ASX Recommendation 4.3: The audit committee should have a formal charter.

The ERC Audit, Risk & Compliance Committee has adopted a Charter. The responsibilities of the Committee pursuant to its Charter include:

Financial reports for the half year and full year

- review and consider the financial reports for the half year and full year;
- consider in connection with the half year and full year financial reports the Chief Executive Officer and Chief Financial Officer (or equivalents) letter of representation to the ERC Board;
- review the financial sections of the annual report and related regulatory filings before release;
- review with management and the external auditors the results of the audit;

Internal control

- review the effectiveness of ERC's internal controls regarding all matters affecting ERC's financial performance and financial reporting, including information technology security and control;
- review the scope of internal and external auditors' review of internal control, review reports on significant findings and recommendations, together with management's responses, and recommend changes from time to time as appropriate;

External audit

- review the external auditors' proposed audit scope and approach;
- meet with the external auditors to review reports, and meet separately, at least once a year, to discuss any matters that the Committee or auditors believe should be discussed privately;
- recommend to the ERC Board policies regarding independence of the external auditor;
- review and confirm the independence of the external auditors;
- review the performance of the external auditors, and consider the re-appointment and proposed fees of the external auditor and, if appropriate, conduct a tender of the audit for the review of the ERC Board. Any subsequent recommendation following the tender for the appointment of an external auditor will be put to the ERC Board;

Compliance

- consider the work plan for ERC compliance activities;
- obtain regular updates from the Compliance Manager and the Legal Counsel regarding compliance matters;
- review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- review the findings of any examinations by regulatory agencies;
- review the process for communicating to ERC personnel, and for monitoring compliance with the ERC Code of Conduct;

Risk management

- oversee the development of risk management policies and review ERC's overall risk management framework and its effectiveness in meeting sound corporate governance principles and keep the ERC Board informed of all significant business risks;
- review with management the system for identifying, managing and monitoring the key risks of ERC;
- obtain reports from management on the status of any key risk exposures or incidents;
- obtain annually a report from management on the status and coverage of the insurance policies for ERC;

Reporting responsibilities

- regularly report to the ERC Board about Committee activities, issues and related recommendations;
- provide an open avenue of communication between the external auditors and the ERC Board. For the purpose of supporting the independence of their function, the external auditor has a direct line of reporting access to the Committee;
- report annually to the shareholders on matters relating to Committee responsibilities as required by law or the ASX Listing Rules;
- review any other reports the Company issues that relate to Committee responsibilities;

The Committee meets at least four times a year and reports to the full Board following each meeting, including in respect of recommendations of the Committee that require ERC Board approval or action.

Internal audit

The ERC Board has overall responsibility for ERC's systems of internal control, supported by the Audit, Risk & Compliance Committee and management.

ERC did not have an internal audit function during the period to 30 June 2009. However at the investment level, eircom ERC's largest investment does have an in-house central corporate internal audit function. For all other investments ERC assesses the requirement for internal audit on a case by case basis.

ERC has compared its Risk Management Framework to the ASX Corporate Governance Guidelines and is satisfied that it is achieving the structure outlined in the guidelines. Following this review the ERC Audit, Risk & Compliance Committee has determined that ERC would not benefit from an internal audit function. Under the oversight of the ERC Risk Manager, ERC continued to enhance the ERC risk management framework during the year with each of ERC's subsidiary companies further developing a Risk Management Plan to further strengthen its control framework (refer to Principle 7 below).

To assist the ERC Board and the Audit, Risk & Compliance Committee to discharge their respective responsibilities, the CEO and the CFO or equivalents of both eircom and GP are required to provide the ERC Board with a letter of representation in connection with the half-year and full-year financial statements of ERC. Such letter of representation confirms to the ERC Board that ERC's financial reports present a true and fair view, in all material respects, of ERC's financial condition and operational results and are in accordance with relevant accounting standards. The letter describes the process and evidence that the CEO and CFO or equivalent have adopted to satisfy themselves on these matters.

In respect of the 12 months ended 30 June 2009, the CEO and CFO provided such a letter to the Board (refer to "CEO's and CFO's Declaration" in the Director's Report).

A summary of the *Audit, Risk & Compliance Committee Charter* is available in the Corporate Governance section on ERC's website.

ACHIEVEMENTS IN 2008/2009

The ERC Board undertook a detailed review of the Audit, Risk & Compliance Committee Charter; and
A detailed review of ERC's Risk Management Framework.

ASX Principle 5: Make Timely and Balanced Disclosure

Companies should promote timely and balanced disclosure of all material matters concerning the company.

CONTINUOUS DISCLOSURE POLICY

ASX Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

ERC is committed to complying with its continuous disclosure obligations pursuant to the Corporations Act and the ASX Listing Rules. ERC's Continuous Disclosure & Communications Policy is designed to ensure that all investors have equal and timely access to material information concerning the Company. ERC has complied at all times with the ASX Listing Rules on continuous disclosure.

The policy is designed to ensure that material price sensitive information arising from any part of ERC is immediately notified to the ASX in a complete, balanced and timely manner, unless it falls within the scope of the limited exemptions contained in Listing Rule 3.1A.

A Continuous Disclosure & Communications Committee comprised of the Chairman, Directors and senior executives operates pursuant to the Continuous Disclosure & Communications Policy. The Continuous Disclosure & Communications Committee is responsible for reviewing information which is or may be material, making disclosures to the ASX and issuing media releases and other written public statements on behalf of ERC.

In addition, the ERC Board is actively and regularly involved in discussing disclosure obligations in respect of all major matters that come before it.

The Company Secretary is primarily responsible for communications with the ASX and for overseeing and maintaining the Continuous Disclosure & Communications Policy.

A summary of the Continuous Disclosure & Communications Policy is available in the Corporate Governance section on ERC's website.

CONTINUOUS DISCLOSURE PROCESSES

The specific processes adopted by ERC in relation to its continuous disclosure responsibilities are as follows:

- website: all information released to the ASX is posted on the Investor Information section of ERC's website as soon as practicable;
- authorised spokespersons: communication with the media, share analysts and the market generally in relation to ERC activities will normally be undertaken only by: the Chairman, CEO or Company Secretary;
- media releases: no media release of a material nature is to be issued unless it has first been sent to the ASX;
- analyst and investor briefings: ERC recognises the importance of the relationship between ERC, investors and analysts. From time to time ERC conducts analyst and investor briefings and in these situations the following protocols apply:
  - no price sensitive information will be disclosed at these briefings unless it has been previously, or is simultaneously, released to the market;
  - questions at these briefings that relate to price sensitive information not previously disclosed will not be answered; and
  - if any price sensitive information is inadvertently disclosed, it will immediately be released to the ASX and placed on ERC's website.

ACHIEVEMENTS IN 2008/2009

ERC made 59 ASX announcements in the 2009 financial year.

ASX Principle 6: Respect the Rights of Shareholders

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

COMMUNICATIONS WITH SHAREHOLDERS

ASX Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Consistent with our Continuous Disclosure & Communications Policy, ERC is committed to communicating with its shareholders in an effective and timely manner to provide them with ready access to information relating to ERC. In this regard, ERC maintains a website (www.eircomholdings.com) which provides access to the following information of interest to ERC shareholders:

- detailed information regarding the Board, executive management and the business groups and activities of ERC;
- all ERC announcements and media releases, which are posted to the website promptly following release;
- copies of full-year and half-year financial reports;
- summaries of Board and Committee Charters and relevant corporate governance policies;
- copies of ERC's Annual Reports;
- copies of disclosure documents relating to ERC's capital raisings; and
- the website of ERC's Share Registry, Link Market Services, including a facility for shareholders to amend their particulars.

ERC encourages shareholders to utilise its website as their primary tool to access shareholder information and disclosures. In addition, the Annual Report facilitates the provision to shareholders by ERC on a yearly basis of detailed information in respect of the major achievements, financial results and strategic direction of ERC.

ERC has a practice that information to be given by ERC at analyst briefings is first released to the ASX to ensure that the market operates on a fully informed and equal basis.

Shareholders are strongly encouraged to attend and participate in general meetings of ERC, especially the Annual General Meeting. ERC provides Shareholders with details of any proposed meetings well in advance of the relevant dates.

ERC's external auditor is always requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. This allows shareholders an opportunity to ask questions of the auditor and reinforces the auditor's accountability to shareholders.

ASX Principle 7: Recognise and Manage Risk

Companies should establish a sound system of risk oversight and management and internal control.

RISK MANAGEMENT POLICY

ASX Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Management of risk, particularly preservation of capital, continues to be a primary objective of ERC in all its business activities. ERC is committed to ensuring that its system of risk oversight, management and internal control complies with the ASX Principles and that its culture, processes and structures facilitate realisation of ERC's business objectives, including potential opportunities, while managing adverse effects and preserving capital.

The ERC Board is ultimately responsible for overseeing and managing the material risks of ERC. The ERC Audit, Risk & Compliance Committee assists them in this role. In accordance with its Charter, the role of the ERC Audit, Risk & Compliance Committee includes reviewing and managing the system for identifying, managing and monitoring the key risks of ERC and obtaining reports from management on the status of any key risk exposures or incidents. In undertaking these responsibilities, the Committee principally relies on the resources and expertise of management to implement and report upon the risk management systems and procedures implemented, such that the Committee is able to keep the ERC Board informed of all material business risks.

ERC undertakes regular reviews of its risk management framework and has adopted a Risk Management Policy consistent with Australia/New Zealand Standard 4360, which clearly defines responsibilities for managing risk under ERC's risk management process. The material risks of ERC's business, including operational, financial, market and regulatory compliance risks have been identified and are required to be regularly managed, monitored and reported. Methods for treating and mitigating risks include transferring, reducing, accepting or passing on risk following assessment using a variety of methods. A summary of the Risk Management Policy is available on ERC's website.

The ERC Audit, Risk & Compliance Committee includes amongst its responsibilities:

- consideration of the overall risk management framework of ERC and the review of its effectiveness in meeting sound corporate governance principles;
- keeping the ERC Board informed of all significant business risks;
- reviewing in conjunction with management the system for identifying, managing and monitoring the key risks of ERC; and
- obtaining reports from management on the status of any key risk exposures or incidents.

One of the cornerstones of ERC's risk management approach is a well defined system of delegated authorities with respect to the commitment of capital and an investment approval process which brings rigour to the selection, assessment and approval of investment risks assumed under ERC's principal investment activities. Matters such as legal, accounting, tax and general risk assessment issues are considered in each case. Management is involved in major investment decisions, and all capital investments above specified thresholds require approval of the ERC Board.

ASX Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Under the direction of ERC's Risk Manager, ERC has continued to enhance its risk management framework. ERC's Risk function plays a key role in developing and building an approach to assist the ERC Board and subsidiary companies in identifying, monitoring and treating risk and in reporting material risks to the Audit, Risk & Compliance Committee.

ERC's Compliance Manager promotes a compliance conscious culture while ensuring ERC complies with regulatory requirements across its businesses, functions, and group entities.

To facilitate monitoring and evaluation of the effectiveness of internal controls, ERC has established accounting policies, reporting and risk management and compliance systems to keep the Audit, Risk & Compliance Committee informed of strategic, reputational, financial and operational risks facing the Group.

ASX Recommendation 7.3: The board should disclose whether it has received assurance from the CEO (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

As outlined above, and in accordance with Recommendation 7.3, the CEO or equivalent and CFO or equivalent have stated to the Board in writing that internal compliance and control systems applicable to the Group's business lines and functional groups were operating efficiently and effectively in all material respects during the period to 30 June 2009 (see the "Chief Executive Officer's and Chief Financial Officer's Declaration" in the Director's Report).

ASX Principle 8: Remunerate Fairly and Responsibly.

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

REMUNERATION POLICY

The remuneration policies of ERC have been structured to be competitive in the industry and global marketplace and to ensure that ERC can attract and retain the talent needed to achieve both short and long-term success, while maintaining a strong focus on team work, individual performance and the interests of shareholders.

The policies and principles which are applied to determine the nature and amount of remuneration paid to the Directors and Key Management Personnel of ERC are set out in detail in the Remuneration Report.

REMUNERATION COMMITTEE

ASX Recommendation 8.1: The Board should establish a remuneration committee

As noted above in relation to ASX Recommendation 2.4, in order to assist the Board in achieving fairness and transparency in relation to remuneration issues and overseeing the remuneration and human resources policies and practices of ERC, the ERC Board has established a Nomination, Governance & Remuneration Committee.

The ERC Nomination & Remuneration Committee has adopted a Charter which is available on ERC's website. The responsibilities of the Committee pursuant to the Charter in relation to remuneration include:

- making recommendations to the relevant Board for determining the level of remuneration to be applied to non-executive Directors of ERC. The Committee may engage external advisors to provide information to the Boards to be considered in their deliberations for the purpose of recommending an appropriate level of remuneration for non-executive Directors. All fees paid to non-executive Directors are disclosed in ERC's annual financial statements to the extent required by law; and
- in order to discharge its duties and responsibilities to shareholders in respect of matters relevant to remuneration of Key Management Personnel, the Committee will:

  a) consult with the CEO in respect of the KPIs for each of the Key Management Personnel and provide feedback to each KMP about their respective performance against such KPIs;

  b) provide input and advice to the CEO about remuneration of Key Management Personnel or other individuals;

  c) approve the Remuneration Report to be disclosed in the ERC annual Directors' Report;

  d) consider for approval the formulation of any long-term incentive plans (LTI Plans) recommended by the management involving the issue of ERC Securities; and

  e) monitor and review any LTI Plans for compliance with changes to legislation, regulation and market expectations or practices.

The ERC Nomination & Remuneration Committee consists of three members, all of whom are independent Directors of ERC. The members of the Committee as at the date of this statement are Kerry Roxburgh (Chairman), Greg Clark and Andrew Love.

NON-EXECUTIVE DIRECTOR REMUNERATION

ASX Recommendation 8.2: Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives

The total remuneration paid to the independent non-executive Directors to 30 June 2009 is set out in the Remuneration Report. Independent non-executive Directors are paid an annual fee according to which Board they sit on. Non-executive Directors' fees for ERC are determined within a non-executive Director's aggregate fee pool limit which has been approved by Shareholders. The maximum aggregate sum for ERC has been set at $1,000,000 annually.

Non-executive Directors are not provided with retirement benefits other than statutory superannuation and did not receive options or other equity incentives.

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Auditor's Independence Declaration

As lead auditor for the audit of eircom Holdings Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of eircom Holdings Limited and the entities it controlled during the period.

Victor Clarke
Partner
PricewaterhouseCoopers

Sydney
27 August 2009

FINANCIAL STATEMENTS

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INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenues from continuing operations	5	3,824,713	3,568,716	26,803	47,581
Other income	6	4,616	135,128	4	1,315
Expenses from continuing operations (excluding finance costs)	7(A)	(2,796,340)	(2,237,780)	(75,513)	(24,165)
Loss on disposal group held for sale	7(C)	(129,758)	-	-	-
Depreciation and amortisation expense		(779,428)	(660,229)	-	-
Impairment of goodwill	7(C)	(1,422,610)	(4,273)	-	-
Finance costs	7(B)	(563,755)	(564,724)	-	-
Impairment of investment in subsidiary	7(C)	-	-	(515,018)	(4,273)
Share of net profits of associates accounted for using the equity method	16	2,470	329	-	-
(Loss)/profit before income tax		**(1,860,092)**	**237,167**	**(563,724)**	**20,458**
Income tax benefit/(expense)	9	17,658	(52,880)	(1,465)	(6,031)
(Loss)/profit for the year		**(1,842,434)**	**184,287**	**(565,189)**	**14,427**
(Loss)/profit attributable to minority interest		357,788	(83,052)	-	-
(Loss)/profit attributable to members of eircom Holdings Limited		**(1,484,646)**	**101,235**	**(565,189)**	**14,427**

Earnings per Share for (loss)/profit attributable to the members of eircom Holdings Limited					
Basic (losses)/earnings per Share	35	(884.2) cents	52.3 cents		
Diluted (losses)/earnings per Share	35	(884.2) cents	52.3 cents		

The above Income Statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS AS AT 30 JUNE 2009

	Note	Consolidated 30 June 2009 $'000	Consolidated 30 June 2008 $'000	Parent 30 June 2009 $'000	Parent 30 June 2008 $'000
Current Assets					
Cash and cash equivalents	10	765,799	965,943	168,480	344,023
Trade and other receivables	11	601,402	866,172	3,975	28,422
Inventories	12	17,630	22,513	-	-
Financial assets at fair value through profit or loss	13	14,432	48,392	-	-
Derivative financial instruments	14	-	7,522	-	9,409
Assets of disposal group held for sale	15	209,801	-	-	-
Other assets	18	41,885	47,746	-	-
Total Current Assets		**1,650,949**	**1,958,288**	**172,455**	**381,854**
Non-Current Assets					
Trade and other receivables	11	-	1,867	-	-
Investments accounted for using the equity method	16	943	711	-	-
Derivative financial instruments	14	-	147,325	-	-
Property plant and equipment	17	3,659,799	3,551,739	-	-
Deferred tax assets	19	23,507	41,376	228	3,277
Intangible assets	20	4,080,006	5,402,236	-	-
Other assets	18	4,680	41,477	67,163	522,000
Total Non-Current Assets		**7,768,935**	**9,186,731**	**67,391**	**525,277**
Total Assets		**9,419,884**	**11,145,019**	**239,846**	**907,131**
Current Liabilities					
Trade and other payables	21	1,235,471	1,349,357	3,856	1,631
Borrowings	22	189,701	442,656	-	-
Derivative financial instruments	14	122,938	7,910	-	-
Current tax liabilities		38,828	76,246	-	2,422
Liabilities of disposal group held for sale	15	209,340	-	-	-
Provisions	23	131,866	129,892	187	-
Total Current Liabilities		**1,928,144**	**2,006,061**	**4,043**	**4,053**
Non-Current Liabilities					
Borrowings	22	7,042,272	6,846,544	-	-
Derivative financial instruments	14	121,874	2,071	-	-
Deferred tax liabilities	25	355,422	428,140	228	1,298
Provisions	23	443,320	393,725	17	-
Retirement benefit obligations	24	189,177	185,758	-	-
Total Non-Current Liabilities		**8,152,065**	**7,856,238**	**245**	**1,298**
Total Liabilities		**10,080,209**	**9,862,299**	**4,288**	**5,351**
Net (Liabilities)/Assets		**(660,325)**	**1,282,720**	**235,558**	**901,780**
Equity					
Contributed equity	26	733,417	834,450	733,417	834,450
Reserves	27(B)	89,145	101,271	26,763	26,763
Retained (losses)/profits	27(A)	(1,482,887)	1,759	(524,622)	40,567
Parent Entity Interest		**(660,325)**	**937,480**	**235,558**	**901,780**
Minority Interest		**-**	**345,240**	**-**	**-**
Total Equity		**(660,325)**	**1,282,720**	**235,558**	**901,780**

The above Balance Sheets should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2009

Consolidated	Note	Contributed Equity $'000	Reserves $'000	Retained Earnings/ (Losses) $'000	Total $'000	Minority Interest $'000	Total Equity $'000
		Attributable to members of eircom Holdings Limited					
Balance at 1 July 2007		**957,026**	**74,741**	**(99,476)**	**932,291**	**235,825**	**1,168,116**
Arising on acquisition of subsidiary		-	-	-	-	654	654
Changes in the fair value of cash flow hedges, net of tax	27(B)	-	25,310	-	25,310	19,023	44,333
Changes in the fair value of net investment hedges, net of tax	27(B)	-	(8,196)	-	(8,196)	-	(8,196)
Changes in the investment valuation reserve, net of tax	27(B)	-	393	-	393	-	393
Exchange differences on translation of foreign operation	27(B)	-	8,460	-	8,460	6,686	15,146
Net income recognised directly in equity		**-**	**25,967**	**-**	**25,967**	**26,363**	**52,330**
Profit for year		-	-	101,235	101,235	83,052	184,287
Total recognised income and expense for the year		**-**	**25,967**	**101,235**	**127,202**	**109,415**	**236,617**
Changes in share-based payments reserve	27(B)	-	563	-	563	-	563
Share buy-back ordinary shares		(122,576)	-	-	(122,576)	-	(122,576)
		(122,576)	**563**	**-**	**(122,013)**	**-**	**(122,013)**
Balance at 30 June 2008		**834,450**	**101,271**	**1,759**	**937,480**	**345,240**	**1,282,720**
Balance at 1 July 2008		**834,450**	**101,271**	**1,759**	**937,480**	**345,240**	**1,282,720**
Changes in the fair value of cash flow hedges, net of tax	27(B)	-	(109,464)	-	(109,464)	(82,509)	(191,973)
Changes in the fair value of net investment hedges, net of tax	27(B)	-	(28,003)	-	(28,003)	-	(28,003)
Changes in the investment valuation reserve, net of tax	27(B)	-	81	-	81	-	81
Exchange differences on translation of foreign operation	27(B)	-	125,838	-	125,838	97,887	223,725
Net income recognised directly in equity		**-**	**(11,548)**	**-**	**(11,548)**	**15,378**	**3,830**
Loss for year		-	-	(1,484,646)	(1,484,646)	(357,788)	(1,842,434)
Total recognised income and expense for the year		**-**	**(11,548)**	**(1,484,646)**	**(1,496,194)**	**(342,410)**	**(1,838,604)**
Changes in share-based payments reserve	27(B)	-	(578)	-	(578)	-	(578)
Share buy-back ordinary shares		(251)	-	-	(251)	-	(251)
Return of capital		(100,782)	-	-	(100,782)	-	(100,782)
Reclassification of Golden Pages held for sale		-	-	-	-	(2,830)	(2,830)
		(101,033)	**(578)**	**-**	**(101,611)**	**(2,830)**	**(104,441)**
Balance at 30 June 2009		**733,417**	**89,145**	**(1,482,887)**	**(660,325)**	**-**	**(660,325)**

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 (CONTINUED)

Parent	Note	Contributed Equity $'000	Reserves $'000	Retained Earnings /(Losses) $'000	Total Equity $'000
Balance at 1 July 2007		**957,026**	**27,557**	**26,140**	**1,010,723**
Profit for year		-	-	14,427	14,427
Total recognised income and expense for the year		**-**	**-**	**14,427**	**(108,149)**
Share buy-back of ordinary shares	26(B)	(122,576)	-	-	(122,576)
Changes in share-based payments reserve	27(B)	-	(794)	-	(794)
		-	**(794)**	**-**	**(794)**
Balance at 30 June 2008		**834,450**	**26,763**	**40,567**	**901,780**
Balance at 1 July 2008		**834,450**	**26,763**	**40,567**	**901,780**
Loss for year		-	-	(565,189)	(565,189)
Total recognised income and expense for the year		**-**	**-**	**(565,189)**	**(565,189)**
Share buy-back ordinary shares	26(B)	(251)	-	-	(251)
Return of capital		(100,782)	-	-	(100,782)
		(101,033)	**-**	**-**	**(101,033)**
Balance at 30 June 2009		**733,417**	**26,763**	**(524,622)**	**235,558**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Parent	
		2009	2008	2009	2008
	Note	$'000	$'000	$'000	$'000
Cash Flows from Operating Activities					
Cash flows from operations	34	1,455,956	1,138,906	(11,279)	(15,957)
Interest received		39,018	53,491	17,241	30,284
Restructuring cost payments		(47,301)	(128,747)	-	-
Income tax paid		(37,025)	(1,419)	(350)	(899)
Net cash inflows from operating activities		**1,410,648**	**1,062,231**	**5,612**	**13,428**
Cash Flows from Investing Activities					
Payments for investments in subsidiaries		(2,498)	(117,624)	-	-
Payments for held for trading investments		(1,744)	-	-	-
Purchase of property, plant and equipment		(539,418)	(448,424)	-	-
Proceeds from sale of property, plant and equipment		25,529	-	-	-
Proceeds from sale of masts		-	257,925	-	-
Purchase of intangible assets		(88,259)	(96,301)	-	-
Proceeds from held for trading investments		-	1,869	-	-
Payments for available-for-sale financial assets		-	(31,861)	-	-
Proceeds received from investments in associates		-	49	-	-
Proceeds from sale of available for sale financial assets		-	31,499	-	-
Payments for derivative financial instruments		(41,093)	(9,333)	(41,093)	-
Proceeds from derivative financial instruments		-	4,666	-	-
Proceeds from repayment of intercompany borrowings		-	-	9,166	153,755
Repayment of intercompany borrowings		-	-	(50,072)	(214,300)
Withdrawal from term deposits / restricted cash		4,991	-	-	-
Dividends received		2,787	420	1,469	7,042
Payments for investments in other investments		(57)	-	-	-
Net cash outflows from investing activities		**(639,762)**	**(407,115)**	**(80,530)**	**(53,503)**
Cash Flows from Financing Activities					
Payments for share buy-back		(251)	(122,576)	(251)	(122,576)
Proceeds from borrowings		228,646	246,460	-	-
Repayment of borrowings		(503,859)	(120,964)	-	-
Redemption of Preference Shares		(131,916)	(116,885)	-	-
Preference Share dividends paid		(6,661)	(10,281)	-	-
Dividend to minority shareholder		(424)	-	-	-
Lease payments		(4,620)	(7,888)	-	-
Return of capital payments		(100,743)	-	(100,743)	-
Return of capital costs		(39)	-	(39)	-
Debt issue cost paid		(1,830)	-	-	-
Interest paid		(473,352)	(419,226)	(1)	-
Net cash outflows from financing activities		**(995,049)**	**(551,360)**	**(101,034)**	**(122,576)**
Net increase/(decrease) in cash and cash equivalents		**(224,164)**	**103,756**	**(175,952)**	**(162,651)**
Cash and cash equivalents at the beginning of the financial year		955,819	843,534	344,023	506,941
Effects of exchange rate changes on cash and cash equivalents		30,738	8,529	409	(267)
Cash at the end of financial year	10	**762,394**	**955,819**	**168,480**	**344,023**

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) COMPANY STRUCTURE

The eircom Holdings Group ("the Group") consists of eircom Holdings Limited ("the Company" or "ERC") and its subsidiaries. The Company was listed on the Australian Securities Exchange ("ASX") on 14 February 2005.

The principal accounting policies adopted in the preparation of the financial report are set out below. The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. The financial report includes separate financial statements for ERC as an individual entity and the consolidated entity consisting of the Company and its subsidiaries.

(B) BASIS OF PREPARATION

This general purpose financial report presented in this report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

(i) Compliance with International Financial Reporting Standards ("IFRS")

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that both the parent and the consolidated financial statements and notes of the Company comply with International Financial Reporting Standards (IFRS).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

(iii) Critical accounting estimates and judgements

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(C) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2009 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1(H)).

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the Income Statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary. Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement and Balance Sheet respectively.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual Financial Statements of the Company.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity Financial Statements using the cost method and in the Consolidated Financial Statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post acquisition profits or losses is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's Income Statement, while in the consolidated financial results they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed, on consolidation, where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(D) SEGMENT REPORTING

A business segment is identified as a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. The Group's primary segments are Telecommunications and Directories.

(E) FOREIGN CURRENCY TRANSLATION

(i) Functional and Presentation Currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet;
- income and expenses for each Income Statement are translated at average exchange rates, (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Income Statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(F) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates, duties and taxes paid.

The Group recognises revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Telecommunications services revenue

Revenue is recognised in the period earned by rendering of services or delivery of products. Revenue includes sales by Group entities but excludes all inter-company sales. Traffic revenue is recognised at the time the traffic is carried over the Group's networks. Revenue from rentals is recognised evenly over the period to which the charges relate. Bundled products are accounted for in the same manner as the unbundled products comprising the bundle. The discount to standard rates is normally applied based on the relative fair value of the bundle.

Connection fee revenue is deferred over the life of the connection, which is estimated to be between three and seven years. Connection lives are reviewed annually. Revenue from equipment sold to third parties is recognised at the point of sale. Revenue arising from the provision of other services, including maintenance contracts, is recognised over the term of the contract.

Billings for telephone services are made on a monthly, bi-monthly or quarterly basis. Unbilled revenues from the billing cycle date to the end of each month are recognised as revenue during the month the service is provided.

When the Group acts as principal bearing the risk and rewards of a transaction, revenue is recorded on a gross basis. However when the Group acts as an agent on behalf of third parties, revenue is reported net of costs.

The Group is required to interconnect its network with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the Group's network. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provisions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(ii) Directories revenue

(a) Advertising revenue

Advertising revenue relating to the directories business, where there are ongoing obligations at the time of delivery of the related directory, is recognised under the deferral method. Under this method, revenues and expenses are recognised over the life of the related directory, generally 12 months.

Where all contractual obligations have been met, income is brought to account immediately.

(b) Internet service revenue

Revenue from the provision of services over the internet, is recognised in two forms:

- in full when the contractual obligations are completed; or
- over the contractual or relevant period where the company constructs a customer's website and then provides services to the customers on completion of the website.

(iii) Construction income

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs have been incurred plus recognised profit (less recognised losses).

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

(vi) Associate income

Refer to Note 1(C)(ii) for recognition criteria on associate income.

(G) INCOME TAX

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial results, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same tax authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(i) Tax consolidation legislation

The Company and its wholly-owned Australian controlled entities became a tax consolidated Group as of 19 April 2005.

The head entity, eircom Holdings Limited, and the controlled entities in the tax consolidated Group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in Note 9(D).

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(H) BUSINESS COMBINATIONS

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Project and deal costs (direct and external only) are capitalised and deferred only to the extent that it is highly probable that a contract will be entered into which will result in the recognition of an asset.

Project and deal costs are assessed for recoverability at the end of each reporting period to determine the amount, if any, which should be expensed to the Income Statement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(P)(i)). If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the cash consideration is deferred, amounts payable in the future are discounted to their present value at the date of the exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(I) IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill (and intangible assets) that have an indefinite useful life and are not subject to amortisation are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed 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. The 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 which 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 reviewed for possible reversal of the impairment at each reporting date.

(J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in banks and highly liquid investments with original maturities of three months or less. These assets are stated at nominal values. For the purposes of the Cash Flow Statements, cash includes cash on hand and in banks, and money market and term deposit investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

(K) TRADE AND OTHER RECEIVABLES

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the Group's effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

(ii) Prepaid cost of publishing

Costs of publishing relating to directories published but not yet carried to income are deferred and presented in the balance sheet as a deduction from the amount of unearned income in respect of the related directories.

(iii) Prepaid selling expenses

Specific direct selling expenses (mainly sales commissions) relating to directories that have not yet been published and not yet carried to income, are deferred and presented in the balance sheet as a deduction from the amount of unearned income in respect of the related directories.

(iv) Prepaid website construction expenses

Costs of website construction relating to contracts where the customer has a commitment towards the company to use its services are deferred and presented in the balance sheet as a deduction from the amount of the unearned income in respect of the related websites.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(L) INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. This classification may change and is subject to regular review.

(ii) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purposes of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Balance Sheet Note 11.

(iv) Recognition and derecognition

Regular purchases and sales of investments are recognised on trade-date - the date on which the Group contracts to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Income Statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

(v) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses from changes in the fair value of the ‘financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the Income Statement as part of revenue from continuing operations when the Group’s right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to the changes in amortised cost are recognised in profit or loss, and other changes are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

(vi) Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(vii) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss – is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement, from assets classified as available-for-sale are not reversed through the Income Statement.

(M) DERIVATIVES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (2) hedges of the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or (3) hedges of net investments in foreign operations.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 14. Movements in the hedging reserve in Shareholders' equity are shown in Note 26(B). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within other income or other expense.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast transaction that is hedged takes place). The gain or loss relating to the ineffective portion of interest rate swaps hedging variable borrowings is recognised in the Income Statement within 'net loss on derivatives not qualifying as hedges''.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(ii) Hedge of net investment in foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in Income Statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement and are included in other income or other expenses.

(N) FAIR VALUE ESTIMATION

The fair value of financial assets and financial liabilities must be determined for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows and option pricing models, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The fair value of foreign exchange and equity options is determined using option pricing models, the inputs of which include the spot rate, trading price, forward rate, volatility and time.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(O) PROPERTY, PLANT AND EQUIPMENT

Property, plant & equipment are stated at historical cost, less accumulated depreciation and impairment losses. Land is stated at deemed cost and buildings are stated at deemed cost less accumulated depreciation and impairment losses. Leasehold improvements are amortised by the straight-line method, over the lease, which is shorter than the estimated life of improvements. Cost in the case of network plant comprises expenditure up to and including the last distribution point before customer's premises and includes contractors' charges, materials and labour and related overheads directly attributable to the cost of construction.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Asset Class		Estimated Economic Life (Years)
Buildings		40
Network Plant		
Transmission Equipment:		
	Duct	20
	Overhead cable/poles	10-15
	Underground cable	14
	Other local network	6-15
Exchanges		
	Exchange line terminations	8
	Core hardware/operating software	3-4
Others		3-14

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

The Group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value.

Fully depreciated property, plant and equipment are retained in the cost of property, plant and equipment and related accumulated depreciation until they are removed from service. In the case of disposals, assets and related depreciation are removed from the financial report and the net amount, less proceeds from disposal, is charged or credited to the Income Statement.

Assets in the course of construction represent the cost of purchasing, constructing and installing property, plant and equipment ahead of their own productive use. No depreciation is charged on assets in the course of construction. The estimated amount of interest incurred, based on the weighted average interest rate on outstanding borrowings while constructing capital projects, is capitalised.

The Group has certain obligations in relation to the retirement of assets - mainly poles, batteries and international cable. The Group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. The Group capitalises the future discounted cash flows associated with these asset retirement obligations and depreciates these, capitalised amounts assets over the useful life of the related asset.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

(P) INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associate/subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity or business, include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

(ii) Brand names

Brand names are carried at cost less accumulated amortisation and impairment losses. Brand names contain a mixture of finite and indefinite lived brand names. Refer Note 20 for further details.

(iii) Trademarks and licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, which are between 2 to 15 years.

(iv) Customer contracts

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the customer contracts over their estimated useful lives, which is estimated at between 1.5 to 10 years.

(v) IT development and software

Acquired computer software licences and associated costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internal costs associated with developing computer software programmes are also capitalised. These costs are amortised over their estimated useful lives which is estimated at between 3 and 4 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

The following useful lives have been determined for the intangible assets:

	Years
Computer software	3 - 4
Databases and technology	6 - 10
Monitoring contracts	3
3G Licence	15
Intangible assets from acquisitions	
Pre-paid customer relationships	1.5
Post-paid customer relationships	4 - 10
Roaming customer relationships	5
Directories customer contracts	1 - 8
Brand –Meteor	12
Brands – GPM subsidiaries	10 - 12
GSM Licence	7
Brands – eircom fixed line and Golden Pages Israel	Indefinite

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(Q) TRADE AND PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

(R) EMPLOYEE BENEFITS

(i) Wages and 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 and are measured at the amounts expected to be paid when the liabilities are settled.

(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 currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

Group companies operate various pension schemes. The schemes are generally funded through payments determined by periodic actuarial calculations to trustee-administered funds. The Group operates both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund. Under defined contribution plans, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans set out the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The amount recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the Groups defined benefit obligation at the reporting date less the fair value of plan assets at that date together with adjustments for unrecognised actuarial gains or losses. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses, arising from experience adjustments and changes in actuarial assumptions, in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past service costs are recognised immediately in income, unless the charges to the pension fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For eircom Ltd, pre 1 January 1984 past service costs are the responsibility of the Irish Minister for Finance. Post 1 January 1984, past service costs are recognised immediately in the Income Statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension plans on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Share-based payments

Share-based payment benefits are provided to the independent Non-Executive Directors of the Company as the Share Option Plan.

The fair value of the options granted under the Share Option Plan for no cash consideration, is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the Directors/employees became unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

At each balance sheet date, the Company revises its estimates on the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value.

(vi) Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on KPI's set by the Nomination, Governance & Remuneration Committees. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(S) BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(T) BORROWING COSTS

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that it is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year, in this case 6.9% (2008: 7.1%).

(U) PROVISIONS

Provisions are recognised when a legal, equitable, constructive obligation to make a future sacrifice of economic benefits to other entities arises as a result of past events and it is probable that a future sacrifice of economic benefits will be required to settle the obligation and the amount has been reliably estimated.

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. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(V) PAYMENTS TO OTHER OPERATORS

Payments to other operators are mainly settlement fees that the Group pays to other telecommunications operators for traffic that is routed on their networks. Costs associated with these payments are recognised in the period in which the traffic is carried.

(W) CUSTOMER ACQUISITION COSTS

The Group pays commissions to dealers for the acquisition and retention of mobile subscribers and certain fixed line products. Customer acquisition costs are recorded immediately in the Income Statement.

(X) CAPITAL GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Income Statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the Income Statement on a straight line basis over the expected lives of the related assets.

(Y) LEASED ASSETS

The capital cost of property, plant & equipment acquired under finance leases is included in property, plant and equipment and depreciated over the shorter of the lease term and the estimated useful life of the asset. The outstanding capital element of the lease obligations is included in current and non-current liabilities, as applicable, while the interest is charged to the Income Statement over the primary lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

(Z) NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-Current Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(AA) INVENTORIES

Inventories comprise consumable items and goods held for resale. Inventories are stated at the lower of cost and net realisable value. Cost is calculated on a weighted average basis and includes invoice price, import duties and transportation costs. Where necessary, write-downs in the carrying value of inventories are made for damaged, deteriorated, obsolete and unusable items on the basis of a review of individual items included in inventory.

(AB) RESEARCH

Expenditure on research is written off as incurred. Development costs are capitalised under intangible assets, if they generate probable future economic benefits. The capitalised development costs are amortised using the straight-line method over their estimated useful life. Development costs that do not fulfil the requirements for capitalisation are expensed as incurred.

(AC) INDEFEASIBLE RIGHTS OF USE ("IRU")

The Group accounts for IRU contracts in the following manner:

(i) The sales contracts are accounted for as service contracts with the entire income being deferred and recognised on a straight-line basis over a 17 to 25 year period.

(ii) The purchase contracts are accounted for as service contracts and accordingly, the pre-paid balance has been recorded as a deferred debtor and is being amortised on a straight-line basis as an expense over a 7 year period.

(AD) CONTRIBUTED EQUITY

Ordinary Shares are classified as equity. Mandatorily redeemable Preference Shares are classified as borrowings, refer Note 22.

Incremental costs directly attributable to the issue of new Shares or options are shown in equity as a reduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new Shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg. as a result of a Share buy-back, those instruments are deducted from equity and the associated Shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(AE) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(AF) EARNINGS PER SHARE ("EPS")

(i) Basic Earnings per Share

Basic EPS is calculated by dividing the net profit/loss after tax attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary Shares, by the weighted average number of ordinary Shares outstanding during the financial year, adjusted for bonus elements in ordinary Shares issued during the year.

(ii) Diluted Earnings per Share

Diluted earnings per Share adjusts the figures used in the determination of basic earnings per Share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary Shares and the weighted average number of Shares assumed to have been issued for no consideration in relation to dilutive potential ordinary Shares.

(AG) GOODS AND SERVICES TAX ("GST")

The amount of GST incurred by the Group that is not recoverable from the taxation authority is recognised as an expense or as part of the acquisition of an asset. Receivables and payables are stated at amounts inclusive of GST. The net amount recoverable from the taxation authority is included in receivables in the Balance Sheet.

(AH) ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the rounding off of amounts in the report. Amounts in the report have been rounded off in accordance with that Class Order to the nearest $1,000, or in certain cases to the nearest dollar.

(AI) FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137: *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

(AJ) NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group's assessment of the impact of applicable new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. It is likely to result in an increase in the number of reportable segments presented. In addition, the segments will be reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated by management to groups of cash-generating units on a segment level, the change in reportable segment may also require a reallocation of goodwill. However this is not expected to result in any additional impairment of goodwill.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

(iv) AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009, but it is not expected to affect the accounting for the Group's share-based payments.

(v) Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in Note 1(H) above.

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasure to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

(vi) ***AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate***

In July 2008, the AASB approved the amendments to AASB1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements.* The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment. Furthermore, when a new intermediate parent entity is created in internal reorganisations it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.

(vii) ***AASB 2009-2 Amendments to AASB 7 Financial instruments: disclosures***

These revised AASB 7 requires financial instruments that are measured at fair value to be disclosed within a 3-level hierarchy. This disclosure reflects the inputs used in measuring the fair values and liquidity risk disclosures for derivative financial liabilities (ie. interest rate swap) to be provided according to how those derivative financial liabilities are managed (ie. contractual vs net basis) and entities to disclose a maturity analysis for financial assets held for managing liquidity risk. The Group will apply the revised standards prospectively to disclosures relating to financial instruments from 1 July 2009.

2. FINANCIAL POSITION

The losses incurred on the impairment of goodwill in eircom and the losses on reclassification of the Golden Pages investment as a non-current asset as held for sale has resulted in the group reporting a significant net liability position. Notwithstanding the fact that the debt of each of ERC's subsidiaries is non-recourse to ERC, under accounting standards, ERC is required to continue to consolidate the results of the subsidiaries, and its share of the losses of the subsidiaries. The minority interest in the equity of a subsidiary cannot be negative. As a result, ERC is required to recognise 100% of the losses of its subsidiaries once the minority interest in the equity of that subsidiary is less than $nil. The Directors are confident that the Group has adequate resources to meet the group's financial needs and obligations for the foreseeable future and therefore the Directors consider it appropriate to adopt the going concern basis in preparing the financial information.

Going concern basis:

A. ERC

ERC has cash reserves which are sufficient to meet its financial obligations in the foreseeable future. In addition, all debt facilities of ERC's subsidiaries are non-recourse to ERC.

B. eircom

After making appropriate enquiries and on the basis of financial projections and debt facilities available, the Directors of ERC Ireland Equity SPC ("ERCIE") (the holding company for ERC's investment in eircom) believe the ERCIE Group has adequate resources to meet its financial needs and obligations in the foreseeable future and therefore the Directors of ERCIE have considered it appropriate to adopt the going concern basis in the financial statements of ERCIE. After making enquiries, the Directors of ERC concur with that conclusion.

C. GPM

In March 2009, GPM Classified Directories (Management and Marketing) Limited breached a bondholder covenant, pertaining to the maintenance of a minimum threshold of equity which is reduced by non-cash impairments to goodwill. The covenant breach has been waived but continues to be monitored on a regular basis by the GPM bondholders.

This debt is non-recourse to ERC and GPM has been reclassified as a disposal group held for sale (refer to Note 15).

D. BREAKDOWN OF NET ASSETS

	2009 $'000
The consolidated net liabilities of $660,325 are made up as follows:	
Total eircom net liabilities attributable to ERC	**(831,947)**
Golden Pages	
Golden Pages – assets classified as held for sale	209,801
Golden Pages – liabilities classified as held for sale	(209,340)
Fair value less costs to sell	**461**
ERC corporate	
Cash and other liquid assets	168,950
Trade and other receivables	6,835
Total ERC corporate assets	**175,785**
Payables and accruals	(4,614)
Total ERC corporate liabilities	**(4,614)**
Total ERC corporate net assets	**171,171**

3) FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. During the year the Group used derivative financial instruments such as forward foreign exchange contracts, options and interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk.

For the year ended 30 June 2009 the Group has engaged, under a Management Agreement, the Central Risk Department (Group Risk) and Central Treasury Department (Group Treasury) of Babcock & Brown Limited to carry out risk management in accordance with the policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with management. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange and interest rate risks.

There have been no significant changes in the types of financial risks; or the Group's risk management program (including methods used to measure the risks) since the prior year.

These services were provided by Babcock & Brown Limited for the year ended to June 2009. Prior to 28 April 2009, when the Management Agreement was terminated these services were supplied by Babcock & Brown Limited in accordance with the Management Agreement. Subsequent to 28 April 2009 and the remainder of the financial year these services were supplied by Babcock & Brown under the Transitional Services Agreement, which was terminated by the Company on 21 July 2009. Financial risk is now managed by the CFO.

(A) MARKET RISKS

Market risk refers to the potential for changes in the market value of the Group's investment positions or revenue streams. There are various types of market risks including exposures associated with interest rates, equity market prices, currency rates and the general market values of asset classes in which the Group invests or which it manages.

(i) Foreign exchange risk

The Group has international investments and is exposed to foreign exchange risk arising from currency exposures of the local currency of these investments, primarily the Euro and New Israeli Shekel ("NIS").

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis.

Consistent with the focus on capital preservation, ERC uses various hedging techniques to protect the equity value, in Australian dollar terms, of investments made in non-Australian markets. Examples of these hedging techniques includes forward exchange contracts on its eircom and Golden Pages Israel investments and put options on its eircom investment. These contracts were all exited in March 2009 subsequent to the impairment losses booked in the 31 December 2008 half year accounts, putting the Group in a net liability position. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The majority of the Group's expenses are denominated in the same currency as the associated revenues, only the net income after interest and taxes is exposed to currency fluctuations. ERC also expects to reinvest a significant portion of revenues in the jurisdictions in which the revenue is generated. ERC therefore does not believe it is cost effective to hedge the Group's revenue flows.

Group Treasury is responsible for managing exposures in each foreign currency. Hedging instruments that the Group undertakes are transacted through Group Treasury, who is responsible for managing foreign exchange risk.

Foreign Currency Sensitivity Analysis

Based on the financial instruments held at balance date, had the Australian dollar strengthened/weakened by 10% against the Euro (€) and NIS (₪) with all other variable held constant, the Group's post-tax profit for the year would have been $45.6 million higher/$55.7 million lower (2008: $6.5 million lower/$13.5 million higher). Equity would have been $79.5 million higher/$97.2 million lower (2008: $3.2 million lower/$3.7 million higher), arising mainly from the foreign exchange translation reserve.

The parent entity's post-tax loss for the year would remained unchanged (2008: $11.7 million higher/$6.9 million lower) had the Australian dollar weakened/strengthened by 10% against the Euro (€) and NIS (₪) with all other variable held constant.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historic basis and market expectations for future movement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

Consolidated

	Increase in AUD by 10%		Decrease in AUD by 10%	
	2009	2008	2009	2008
Euro	$'000	$'000	$'000	$'000
Profit/(Loss)	45.574	(8,135)	(55,704)	15,300
Equity - foreign currency	79.495	(22,569)	(97,159)	24,877
Equity - net investment hedge reserve	-	2,689	-	(3,329)

	Increase in AUD by 10%		Decrease in AUD by 10%	
	2009	2008	2009	2008
NIS	$'000	$'000	$'000	$'000
Profit/(Loss)	-	1,621	-	(1,783)
Equity - foreign currency	-	9,889	-	(10,879)
Equity - net investment hedge	-	6,748	-	(6,877)

Parent Entity

	Increase in AUD by 10%		Decrease in AUD by 10%	
	2009	2008	2009	2008
Euro	$'000	$'000	$'000	$'000
Profit/(Loss)	-	11,749	-	(6,943)

Foreign currency sensitivities have a zero impact on parent entity equity balances for the current year.

(ii) Cash flow and fair value interest rate risk

The Group finances the majority of its investments with significant amounts of debt. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at a fixed rate expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. Group policy is to fix rates for between 50% to 100% of its borrowings. This policy has been complied with at year end, with rates fixed for 72% of total borrowings.

Consolidated

As at reporting date, the Group had the following interest bearing assets and liabilities and interest rate swap contracts outstanding:

	30 June 2009		30 June 2008	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Cash and cash equivalents	1.39	765,799	5.56	965,943
Bank overdraft	3.63	(3,405)	7.00	(10,124)
Floating rate notes due 2016	6.28	(608,590)	9.86	(574,147)
Floating rate senior PIK notes due 2017	8.28	(972,793)	11.86	(822,001)
Bank borrowings (senior credit facility)	3.16	(5,689,382)	6.93	(5,542,844)
Senior preference shares	-	-	4.23	(117,288)
Othr bank borrowings	1.94	(44,630)	5.31	(117,126)
Debentures	-	-	5.65	(105,670)
Interest rate swaps (notional principal amount)	3.59	5,261,694	3.96	4,921,260
Net exposure to cash flow interest rate risk		**(1,291,307)**		**(1,401,997)**

Parent

	30 June 2009		30 June 2008	
	Weighted average interest rate	Balance	Weighted average interest rate	Balance
	%	$'000	%	$'000
Cash and cash equivalents	3.71	168,480	7.05	344,023
Net exposure to cash flow interest rate risk		**168,480**		**344,023**

Interest Rate Sensitivity Analysis

Based on the financial instruments held at balance date, if interest rates had been 100 basis points lower/higher and all other variables were held constant, the Group's post-tax profit for the year would have been $37.9 million higher/ $60.0 million lower (2008: $14.0 million higher/$14.0 million lower). Equity would have been $75.8 million lower/ $52.2 million higher (2008: $84.0 million lower/$93.3 million higher), arising from the cash flow hedging translation reserve.

The parent entity's post-tax profit for the year would have been $2.9 million lower/$2.9 million higher (2008: $3.4 million lower/$3.4 million higher) had interest rates been 100 basis points higher/lower and all other variables were held constant.

A sensitivity of 100 bps has been selected as this is considered reasonable given the current level of both short-term and long-term interest rates.

Consolidated

	Increase in interest rates by 100 bps		Decrease in interest rates by 100 bps	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit/(Loss) - interest	(11,922)	(14,019)	11,922	14,019
Profit/(Loss) - ineffectiveness	71,956	-	(49,815)	-
Equity –cash flow hedge reserve	52,165	93,286	(75,752)	(84,038)

It should be noted that the results reflect the net impact on a hedged basis. If interest rates were 10% higher, finance costs would be impacted by the interest expense on the floating rate positions. Profit is unaffected by the interest expense on the hedged position, but does impact on the cash flow interest rate hedge reserve in equity.

Parent

	Increase in interest rates by 100 bps		Decrease in interest rates by 100 bps	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit/(Loss)	2,926	3,440	(2,926)	(3,440)

(B) CREDIT RISKS

Credit risk refers to the loss that the Group would incur if a debtor or other counterparty fails to perform under its contractual obligations.
The carrying amounts of financial assets recognised in the Balance Sheet best represents the Group's and Company's maximum exposure to credit risk at reporting date. ERC seeks to limit its exposure to credit risk as follows:

The Group's trade debtors are generated by a large number of customers, both private individuals and companies in various industries, mainly in Ireland and Israel. There is no significant concentration of credit risk. Exposure to credit loss and customer/subscriber fraud is actively monitored on a regular/daily basis, including some processing of current credit information on subscribers from third-party sources. Appropriate due diligence is carried out on counterparties before entering into arrangements with them and credit risk in trade debtors is managed through setting normal payment terms of 30 days and through continual risk assessment of customers with material balances. At 30 June 2009, the provision for impairment against trade debtors is $77.1 million (2008: $51.9 million). Other than the provision for doubtful debts in trade debtors, no other financial assets are impaired at year end.

The Group is exposed to credit risk relating to its cash and cash equivalents. The Group places its cash with highly rated financial institutions with a short-term rating of A-1+ and A-1. The Group has not experienced any losses on such accounts.

Transactions involving derivative contracts are managed by Group treasury. The Group's dealings in derivatives are restricted to highly rated financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

The following financial assets are past due as at reporting date, but not considered to be impaired.

	Ageing Analysis				Collateral held over overdue balances	Neither impaired or past due date	Impaired	Total
	0-30 $'000	31-60 $'000	61-90 $'000	Over 90 $'000	$'000	$'000	$'000	$'000
Trade debtors								
2009	**55,016**	**25,479**	**7,517**	**9,025**	**6,235**	**335,893**	**(77,123)**	**510,053**
2008	175,494	17,431	11,926	15,117	3,630	321,806	(51,876)	541,771

There is no held for trading or derivative financial (other financial) assets past due at reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	Consolidated		Parent	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Cash and cash equivalents				
AAA	144,203	5,683	-	-
AA+	-	157,211	-	-
AA	245,453	307,621	168,480	61,941
AA-	110,580	131,522	-	131,522
A+	94,088	295,773	-	98,638
A	158,250	-	-	-
BBB+	-	51,921	-	51,922
Other[1]	13,225	16,212	-	-
Total Cash and cash equivalents	**765,799**	**965,943**	**168,480**	**344,023**
Derivative financial assets				
AA	-	97,193	-	9,409
AA-	-	28,724	-	-
A	-	28,930	-	-
Total Derivative financial assets	**-**	**154,847**	**-**	**9,409**

[1] Other represents mainly restricted cash held with the Irish Telecommunications Regulator, Comreg.

(C) LIQUIDITY RISK

Liquidity risk is the risk that the Group will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial assets.

The Group manages liquidity risk through a combination of methods including the use of cash reserves and undrawn capacity at the asset level and through the refinancing of its project specific facilities. At the investment level, liquidity risk is maintained by continuously monitoring forecast and actual cash flows, matching the maturity profiles of financial assets and liabilities and maintaining an appropriate buffer of readily realisable assets and standby credit lines.

At a corporate level, given the quantum of investment in cash and cash equivalents, exposure to liquidity and cash flow risk is therefore minimal.

Maturities of financial liabilities

The following tables detail the Company's and the Group's remaining contractual maturity for its financial liabilities, on an undiscounted basis. There did not exist any gross settled derivatives during the period.

Consolidated – Financial Liabilities

		< than 1 year $'000	1-2 years $'000	2-5 years $'000	> 5 years $'000	Future Interest Payments	Total $'000
Accounts payable and accrued liabilities	**2009**	**1,108,342**	**6,608**	**19,823**	**100,699**	**-**	**1,235,472**
	2008	1,349,657	-	-	-	-	1,349,357
Interest bearing liabilities	**2009**	**504,561**	**403,581**	**1,467,962**	**7,958,461**	**(3,102,594)**	**7,231,971**
	2008	434,566	495,301	1,655,947	8,027,335	(3,323,949)	7,289,200
Derivatives	**2009**	**154,588**	**121,270**	**49,747**	**63**	**(80,850)**	**244,818**
	2008	2,071	7,910	-	-	-	9,981

Parent Entity – Financial Liabilities

		< than 1 year $'000	1-2 years $'000	2-5 years $$'000	> 5 years $'000	Future Interest Payments	Total $'000
Accounts payable and accrued liabilities	**2009**	**3,856**	**-**	**-**	**-**	**-**	**3,856**
	2008	1,631	-	-	-	-	1,631

(D) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the Group consists of borrowings at the investment level as listed in Note 22, and equity comprising issued capital and reserves as listed in Note 26. The quantitative analysis of each of these categories of capital is provided in their respective Notes to the Accounts.

The Board of Directors review the capital structure, and as part of this review, consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the buy-back of shares, issue of new/refinancing of debt or redemption of existing debt. The Group's overall strategy of maximising the value of the ERC share for shareholders, while ensuring debt obligations are met within its investment, remains unchanged from 2008.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(E) NET FAIR VALUES

A number of the Consolidated Entities accounting policies and disclosures require the determination of fair value for both financial and non financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the Notes to the Financial Statements specific to that asset and liability. All the financial assets and liabilities have been recognised at the Balance Sheet date at their carrying values which with the exception of borrowings are not materially different from the fair values.

The fair value of financial assets and liabilities are determined as follows:

Derivative contracts

The fair value of interest rate swaps and interest rate options is calculated as the present value of the estimated future cashflows. The fair value of forward exchange contracts is determined using forward exchange market rates. This value is then discounted back to the Balance Sheet date.

Cash and cash equivalents

The carrying amount represents fair value because of their short-term to maturity.

Receivable, other assets, trade and other payables

The carrying amount represents fair value due to their short-term to maturity.

Loans receivable, interest-bearing liabilities and borrowings

All loans and notes payable are initially recorded at fair value of the consideration received, net of transaction costs. After initial recognition, interest bearing loans and borrowings are stated at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

As at reporting date, the fair value of the Group's borrowings were as follows:

2009	Carrying Value $'000	Fair Value $'000
Bank overdraft	(3,405)	(3,405)
Floating rate notes due 2016	(608,590)	(362,111)
Floating rate senior PIK notes due 2017	(972,793)	(291,838)
Bank borrowings (senior credit facility)	(5,689,382)	(4,455,666)
Other bank borrowings	(44,630)	(44,630)
Total Borrowings	**(7,318,800)**	**(5,157,650)**

(F) HEDGING INSTRUMENTS

(i) Hedges of Specific Commitments

Consolidated

Foreign exchange – forward contracts

At reporting date, there were no forward contracts. All forward exchange forward contracts were closed during the year. In the prior year, the forward contracts were as follows:

2008	Principal Value $'000	FX rate to NIS	Fair Value $'000	Maturity
Sell New Israeli Shekel and receive Euro	710	5.45	(157)	30 November 2008

Foreign Exchange – forward contracts treated as hedges of net investments in foreign operations

As at reporting date, there were no forward contracts. In the prior year the Group had the following forward exchange contracts used to hedge its net investments in foreign operations.

2008	Principal Value $'000	FX rate to $A	Fair Value $'000	Maturity
Sell Euro and receive Australian dollar	48,496	0.5466	3,001	30 June 2010
Sell NIS and receive Australian dollar	100,022	3.45	(9,825)	8 August 2008 and 16 August 2009

Cash flow hedges

As at reporting date, controlled entities had entered into a number of swaps to cover interest rate exposure on various debt obligations.

	Principal Value $'000	Fair Value at 30 June 2009	Weighted Average Interest rate	Maturity Profile					
				Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Greater than 5 years
eircom – senior debt facility interest rate swaps									
2009	**6,955,312**	**(244,812)**	**3.59%**	**2,173,535**	**-**	**2,173,535**	**1,738,828**	**869,414**	**-**
2008	4,921,259	145,438	3.89%	-	2,050,525	-	2,050,525	820,210	-

Parent

As at reporting date there was no foreign exchange forward contracts and put options. These were exited during the year.

Foreign Exchange – forward contracts

2008	Principal Value $'000	FX rate to $A	Fair Value $'000	Maturity
Sell Euro and receive Australian dollar	26,508	0.5466	1,887	30 Jun 2010

This has not been hedge accounted for in the parent entity.

Foreign Exchange – Foreign exchange put options

2008	Principal Value $'000	FX rate to $A	Fair Value $'000	Maturity
Sell Euro and receive Australian dollar	374,296	0.6255	7,522	30 Jun 2010

This has not been hedge accounted for in the parent entity

4) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(A) ESTABLISHING LIVES FOR DEPRECIATION PURPOSES OF PROPERTY, PLANT AND EQUIPMENT

Long-lived assets, consisting primarily of property, plant and equipment, comprise a significant portion of the total assets. The annual depreciation charge depends primarily on the estimated lives of each type of asset and, in certain circumstances, estimates of fair values and residual values. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives in light of technological change, prospective economic utilisation and physical condition of the assets concerned. Changes in asset lives can have a significant impact on depreciation and amortisation charges for the period. It is not practical to quantify the impact of changes in asset lives on an overall basis as asset lives are individually determined and there are a significant number of asset lives in use. Detail of the useful lives is included in Note 1(O). The impact of any change would vary significantly depending on the individual changes in assets and the classes of assets impacted. The carrying amount of property, plant and equipment is $3,659.8 million (2008: $3,551.7 million) (refer Note 17).

(B) ESTABLISHING LIVES FOR AMORTISATION PURPOSES OF INTANGIBLE ASSETS

The Group has significant levels of intangible assets. The amortisation charge is dependent on the estimated lives allocated to each type of intangible asset. The Directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset.

The effect of the changes in asset lives can have a significant impact on amortisation charges for the year. Detail of the useful lives is included in Note 1(P). The carrying amount of intangible assets excluding goodwill is $1,219.2 million (2008: $1,292.2 million) (refer Note 20).

(C) MAKING APPROPRIATE LONG TERM ASSUMPTIONS IN CALCULATING PENSION LIABILITIES, SURPLUSES AND COSTS

The Group operates a funded defined benefit scheme, which is independent of the Group's finances, for the majority of employees. Valuations of the main scheme are carried out on an annual basis by the actuaries to the scheme. The rates of contribution payable and the pension cost are determined on the advice of the actuaries, having regard to the results of these valuations and the unrecognised pension surplus or deficit at the date of the last valuation. The cost of these benefits and the present value of the pension liabilities depend on the assumptions made in respect of such factors as the life expectancy of the members of the scheme, the salary progression of current employees, the return that the pension fund assets will generate in the period before they are used to fund the pension payments and the discount rate at which the future pension payments are valued. The Group uses estimates for all of these factors in determining the pension costs, surpluses arising on acquisitions and liabilities reflected in the financial statements.

Differences between assumptions made and actual experience and changes in assumptions made also impact on pension charges. The carrying amount of the retirement benefit obligation at balance date is $189.2 million. The effect of changes in assumptions in the pension scheme valuation is contained in Note 24.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(D) PROVIDING FOR DOUBTFUL DEBTS

The Group provides services to individuals and business customers on credit terms. The Group expects that some debts due will not be paid as a result of the default of a small number of customers. The Group uses estimates based on historical experience in determining the level of debts, which the Group believes, will not be collected. The estimates include such factors as the current state of the Irish and Israel economies and particular industry issues. A significant, unanticipated downturn in the Irish and Israel economies or negative industry trends could require an increase in the estimated level of debts that will not be collected, which would negatively impact the operating results. Any significant increase in the level of customers that default on payments or other significant improvements that resulted in a increase in the level of bad debt provision would have a negative impact on the operating results. The level of provision required is reviewed on an ongoing basis. Details of receivables and provision for impairment of receivables are shown in Note 11.

(E) PROVIDING FOR LITIGATION CONTINGENCIES AND OTHER CONSTRUCTIVE OBLIGATIONS

The Group is a party to lawsuits, claims, investigations and proceedings, consisting primarily of commercial matters, which are being handled and defended in the ordinary course of business. The Group reviews the current status of any pending or threatened proceedings with the legal counsel on a regular basis. In determining whether provisions are required with respect to pending or threatened litigation, management reviews the following: (1) the period in which the underlying cause of the pending or threatened litigation or of the actual or possible claim or assessment occurred; (2) the degree of probability of an unfavourable outcome; and (3) the ability to make a reasonable estimate of the amount of loss.

Upon considering the above items and other known relevant facts and circumstances, the Group recognises any loss that is considered probable and reasonably quantifiable as of the balance sheet date. In addition, the Group provides for other items of an uncertain timing or amount, such as liabilities arising as a result of self-insurance and disputes with third parties, including regulatory authorities. These provisions are recognised when the Group has a legal or constructive obligation as a result of past events and a reliable estimate of that obligation can be made. Estimates and judgements are used in determining the level of provisioning required and the timing of payments.

(F) MAKING APPROPRIATE MEDIUM TERM ASSUMPTIONS ON ASSET IMPAIRMENT REVIEWS

The Group undertakes a review for impairment annually or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. Factors which the Group considers could trigger an impairment review include, but are not limited to the following: (1) significant negative industry or economic trends; (2) current, historical or projected losses that demonstrate continuing losses; or (3) results of fair market valuations performed. These impairment charges are based upon the excess of the carrying amount of the asset over its recoverable amount which is the higher of the net amount at which the asset could be disposed of and its value in use, based on discounted future cash flows. When an asset is not recoverable, impairment is measured as the excess of carrying value over the recoverable amount of the long-lived asset. Management incorporates estimates when evaluating the carrying amount, the recoverable amount, the value in use and the fair value.

Changes in these estimates would directly affect the amount of the impairment charge recorded and, potentially, the existence of impairment.

(G) ASSESSING THE LEVEL OF INTERCONNECT INCOME FROM AND PAYMENTS TO OTHER TELECOMMUNICATIONS OPERATORS

The Group is required to interconnect its networks with other telecommunications operators. In some instances, as is normal practice in the telecommunications industry, reliance is placed on other operators to measure the traffic flows interconnecting with the Group's networks. In addition, the prices at which services are charged are often regulated and can be subject to retrospective adjustment. Estimates are used in these cases to determine the amount of income receivable from, or payments required to be made to, these other operators and to establish appropriate provision. Changes in the estimates directly affect revenue, operating costs and profit.

(H) ASSET RETIREMENT OBLIGATIONS

The Group has certain obligations in relation to the retirement of assets mainly poles, batteries and international cable. The Group also has obligations to dismantle base stations and to restore the property owned by third parties on which the stations are situated after the stations are removed. Significant judgement is required in determining the cash flows associated with these retirement obligations as some of the cash flows are anticipated up to 18 years in the future.

(I) RESTRUCTURING PROGRAMME COSTS

In May 2007, the group announced a voluntary leaving plan to reduce its workforce by c.900 over three years and included a provision of $248.5 million (€157 million) in the 2007 financial statements to reflect the estimated costs associated with that plan.

In March 2009, the group announced a plan to reduce its workforce by 1,200 in the period from 1 April 2009 to 30 June 2011 through voluntary leaving, contractor reductions and natural turnover. The group included a further provision of $47 million (€27 million) in the year ended 30 June 2009 to reflect the additional estimated costs associated with this plan. The provisions comprise the estimated benefits payable to staff availing of the voluntary leaving schemes and the associated pension impact. The estimation of the cost is based on past experience. The group has a constructive obligation in respect of the costs of this staff restructuring programme. As these are voluntary schemes, the timing of individual exits and individual staff participating requires estimation. Changes in those estimates over the life of the plans directly affect the income statement.

(J) IMPAIRMENT OF SURPLUS PROPERTIES

The group incurred impairment costs of $31.3 million (€17 million) in respect of surplus properties which have been identified for future disposal in the year ended 30 June 2009 to reflect the decline in the fair value of these properties at 30 June 2009.

(K) ONEROUS CONTRACTS

The group has a significant property portfolio comprising of freehold and leasehold properties to accommodate the group's network and office accommodation required for its staff. As part of the group's overall portfolio, the group also leases a number of properties from third parties under long-term lease arrangements. Where the group no longer requires these properties, the group sub-leases the properties to third parties or disposes of the properties no longer required. As a result of the rationalisation of the group's accommodation requirements there are a number of properties which are vacant or where rental contracts with sub-lease tenants are not sufficient to meet all of the lease obligations. Provision has been made in respect of the estimated cash flow required to settle the group's obligation under these leases.

The group have included a charge of $46.8 million (€26 million) for onerous contracts in the year ended 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(L) RECOVERABLE AMOUNT OF INVESTMENTS IN SUBSIDIARIES

The Company reviews the recoverable amount of investments in subsidiaries annually. For the year ended 30 June 2009 this review resulted in an impairment write-down of $509 million.

In assessing the level of the write-down, the Company's policy is to review the net asset position of the subsidiary in order to assess the likely recoverable amount of the investment. The Company has regard to future cash flows from the subsidiaries in addition to any market information that assists in assessing the carrying value of the underlying investment.

The closing balance at 30 June 2009 for investments in subsidiaries in the Company was $67.2 million. This figure is based on the preliminary bid figures received by ERC for the eircom asset. In the case of the GPM investment, the valuation is identical to the valuation adopted for the assets held for sale in the Group's Balance Sheet and is based on the Group's best assessment of the realisable value less costs to sell.

5) REVENUES FROM CONTINUING OPERATIONS

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Telecommunications revenue	3,683,542	3,368,870	-	-
Directories revenue	59,418	48,141	-	-
Internet revenue	44,208	28,588	-	-
Credit services revenue	10,766	7,322	-	-
Interest income	15,822	53,759	15,524	28,349
Dividend income	-	600	1,469	7,042
Construction income	10,957	61,040	-	-
Management fee revenue	-	-	9,810	12,190
Other revenue	-	396	-	-
Total revenues from continuing operations	**3,824,713**	**3,568,716**	**26,803**	**47,581**

6) OTHER INCOME

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Net gain on disposal of eircom masts	-	130,581	-	-
Net gain on disposal of Property, Plant & Equipment	4,612	-	-	-
Gain on sale of derivatives	-	3,539	-	-
Net gain on foreign currency derivatives not qualifying as hedges	-	-	-	480
Other income	4	1,008	4	835
Total other income	**4,616**	**135,128**	**4**	**1,315**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

7) EXPENSES

Profit /(loss) before income tax includes the following specific expenses:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(A) OPERATING EXPENSES				
Payments to telecommunication operators	651,735	610,757	-	-
Staff costs	688,630	623,659	725	-
Purchase of goods for resale, commission and related costs	274,696	255,245	-	-
Sales and marketing costs	193,147	171,978	-	-
Materials, services and other network costs	150,486	178,871	-	-
Lease rental expense	124,605	45,189	-	-
Defined benefit superannuation expense	25,148	-	-	-
Restructure costs	49,815	-	-	-
Management fee (Note 32)	11,402	19,366	11,402	19,366
Auditors remuneration (Note 29)	7,440	6,156	713	647
Net loss on derivatives not qualifying as hedges	170,331	1,377	51,873	1,911
Directors' fees	2,380	2,551	903	860
Net loss on financial assets held at fair value through profit or loss	-	2,165	-	-
Net foreign exchange losses	347	-	43	-
Project and deal costs	1,662	542	1,117	40
Accomodation	57,792	62,939	-	-
Transport and travel	29,392	31,743	-	-
Internalisation costs	7,352	-	7,352	-
Onerous contracts	46,764	-	-	-
Other expenses	303,216	225,242	1,385	1,341
Total operating expenses	**2,796,340**	**2,237,780**	**75,513**	**24,165**
(B) FINANCE COSTS				
Interest and finance charges	502,804	543,257	-	-
Dividend payable on Preference Shares	4,211	9,584	-	-
Amortisation of issue costs of bank loan	69,166	29,666	-	-
Amounts capitalised (Note 1(T))	(12,426)	(17,783)	-	-
Total finance costs	**563,755**	**564,724**	**-**	**-**
(C) IMPAIRMENT EXPENSE				
Goodwill impairment	(1,422,610)	(4,273)	-	-
Impairment of investment in subsidiary	-	-	515,018	4,273
Loss on classification of GPM as held for sale	(129,758)			
Total impairment expense	**(1,552,368)**	**(4,273)**	**515,018**	**4,273**

Further information on the goodwill impairment expense is shown in Note 20: Intangible Assets.

8) SEGMENT INFORMATION

(A) DESCRIPTION OF SEGMENTS

Business segments

The business segments are defined by the industry in which the Group's main assets are invested. The Group's assets were predominantly invested in the following areas:

(i) Telecommunications

Principal investments and investment management activities in the telecommunications sector.

(ii) Directories

Principal investments and investment management activities in the published and on-line sector.

(iii) Corporate

Includes management of the funds in the Group that remain uninvested in the entities outside of the Group. Also includes interest earned and dividend revenue earned during the period.

Geographical segments

The Group's assets were predominately invested in three geographical areas: Australia, Ireland and Israel. As at 30 June 2009, there continues to be no significant operations in countries outside of Australia, Ireland and Israel.

(B) PRIMARY REPORTING FORMAT – BUSINESS SEGMENTS

	Telecommunications		Directories		Corporate		Consolidated	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenue from external parties	3,694,500	3,452,484		84,805	15,821	31,427	3,710,321	3,568,716
Other income	4,612	130,534	-	-	4	4,594	4,616	135,128
Total sales revenue from continuing operations	**3,699,112**	**3,583,018**	**-**	**84,805**	**15,825**	**36,021**	**3,714,937**	**3,703,844**
Total sales revenue from disposal group held for sale	**-**	**-**	**114,392**	**-**	**-**	**-**	**114,392**	**-**
Share of net gains/(losses) from associates	3,260	329	(790)	-	-	-	2,470	329
Total segment revenue	**3,702,372**	**3,583,347**	**113,602**	**84,805**	**15,825**	**36,021**	**3,831,799**	**3,704,173**
Segment results from continuing operations	**(1,699,551)**	**245,087**	**-**	**(17,500)**	**(25,483)**	**9,580**	**(1,622,923)**	**237,167**
Segment results from disposal group held for sale	**-**	**-**	**(135,056)**	**-**	**-**	**-**	**(135,056)**	**-**
Profit/(loss) before income tax							**(1,860,092)**	**237,167**
Income tax (expense)/benefit							17,658	(52,880)
Profit/(loss) for the financial year							**(1,842,434)**	**184,287**

	Telecommunications		Directories		Corporate		Consolidated	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Segment assets	9,038,747	10,283,270	209,801	364,543	171,336	497,206	9,419,884	11,145,019
Unallocated assets							-	-
Total assets							**9,418,884**	**11,145,019**
Segment liabilities	9,866,069	9,576,479	209,340	271,364	4,800	14,456	10,080,209	9,862,299
Unallocated liabilities							-	-
Total liabilities							**10,080,209**	**9,862,299**
Investments in associates	943	470	-	241	-	-	943	711
Acquisitions of property, plant and equipment, intangibles and other non-current segmental assets	562,627	499,727	9,179	318,176	-	-	571,806	817,903
Depreciation and amortisation expense	(768,779)	(652,533)	(10,649)	(7,696)	-	-	(779,428)	(660,229)
Impairment of goodwill (Note 20)	(1,422,610)	-	-	(4,273)	-	-	(1,422,610)	(4,273)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(C) SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

	Segment revenues		Segment assets	
	2009 $'000	2008 $'000	2009 $'000	2007 $'000
Ireland	3,694,500	3,452,484	9,038,747	10,283,270
Australia	15,821	31,427	171,336	497,206
Israel	114,392	84,805	209,801	364,543
Total	**3,824,713**	**3,568,716**	**9,419,884**	**11,145,019**

Segment revenues, assets and capital expenditure are allocated based on the country in which investments of the Group are located.

9) INCOME TAX EXPENSE/ (BENEFIT)

(A) INCOME TAX EXPENSE/ (BENEFIT)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current tax expense/(benefit)	(51,112)	69,424	(14,149)	4,710
Deferred tax	(18,017)	(9,529)	655	1,333
Deferred tax asset not brought to account	16,694	-	14,132	-
Adjustments for current tax of prior periods	34,777	(7,015)	827	(12)
Income tax expense/(benefit)	**(17,658)**	**52,880**	**1,465**	**6,031**
Deferred income tax expense/(revenue) included in income tax expense comprises:				
(Decrease)/increase in deferred tax asset (Note 19)	13,134	11,849	1,725	1,324
(Decrease)/increase in deferred tax liabilities (Note 25)	(31,151)	(21,378)	(1,070)	9
	(18,017)	**(9,529)**	**655**	**1,333**

(B) NUMERICAL RECONCILIATION OF INCOME TAX TO PRIMA FACIE TAX PAYABLE

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(Loss) / Profit from continuing operations before income tax expense/(benefit)	**(1,860,092)**	**237,167**	**(563,729)**	**20,458**
Tax at the Australian tax rate of 30% (2008: 30%)	(558,028)	71,150	(169,119)	6,137
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-deductible expenses	30,965	36,581	-	1,282
Utilisation of tax losses	1,679	(3,230)	-	-
Share-based payments	-	(238)	-	(238)
Change in CGT rates	18,625	-	-	-
Non-assessable revenue	-	(15,737)	(440)	(2,117)
Derivative financial instruments	6,503	146	1,545	900
Non-deductible impairment of investment in subsidiary	-	-	154,506	-
Non-deductible impairment of goodwill	175,486	-	-	-
Deferred tax asset not brought to account	16,694	-	14,132	-
Sundry items	26,840	12,935	14	79
	(281,236)	**101,607**	**638**	**6,043**
Difference in overseas tax rates	298,355	(41,712)	-	-
Adjustments for current tax of prior periods	(34,777)	(7,015)	827	(12)
Income tax expense/(benefit)	**(17,658)**	**52,880**	**1,465**	**6,031**

The effective tax rate for the consolidated Group is 1% (2008: 22.3%) and the parent is NIL (2008: 29.5%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(C) AMOUNTS RECOGNISED DIRECTLY IN EQUITY

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current tax – (credited) directly to equity				
Net deferred tax – (credited) directly to contributed equity	(58,880)	(399)	(374)	(250)
Net deferred tax – debited directly to reserves	-	16,282	-	9
	(58,880)	**15,883**	**(374)**	**(241)**

(D) TAX CONSOLIDATION LEGISLATION

The Company and its wholly-owned Australian controlled entities elected to form a tax consolidation Group on 19 April 2005. The accounting policy in relation to this legislation is set out in Note 1(G).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, eircom Holdings Limited.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate eircom Holdings Limited for any current tax payable assumed and are compensated by eircom Holdings Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to eircom Holdings Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' Financial Statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax installments. The funding amounts are recognised as current intercompany receivables or payables in Notes 32(E) and 31.

(E) UNRECOGNISED TEMPORARY DIFFERENCE

There were $16.1 million of deferred tax assets not brought to account during the year (2008: nil).

10) CASH AND CASH EQUIVALENTS (CURRENT ASSETS)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash at bank	49,233	644,574	15,816	41,941
Term deposits – maturity within 3 months	703,872	305,187	152,664	302,082
Restricted cash	12,694	16,182	-	-
Total cash and cash equivalents	**765,799**	**965,943**	**168,480**	**344,023**

(A) RECONCILIATION TO CASH AT THE END OF THE YEAR

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balances as above	765,799	965,943	168,480	344,023
Bank overdrafts (Note 22)	(3,405)	(10,124)	-	-
Total cash and cash equivalents	**762,394**	**955,819**	**168,480**	**344,023**

(B) CASH AT BANK

Cash at bank and term deposits maturing within 3 months are bearing interest rates between 0.72% (for EURO denominated accounts) and 4.0% p.a. (2008: 4.70% and 8.06%).

(C) RESTRICTED CASH

Restricted cash represents cash which has been pledged as security in respect of the performance bond in eircom. The interest earned on these deposits, after deduction of any taxation payable, is payable to the Group. These balances were bearing interest at year end at rates of 1.09%p.a. – 4.70% (2008: 4.70% - 6.85%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

11) TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current Assets				
Trade receivables	510,053	541,774	-	-
Provision for impairment of receivables	(60,024)	(51,876)	-	-
	450,029	**489,898**	**-**	**-**
Prepayments	142,658	157,627	312	277
Interest receivable	906	4,420	447	2,163
Construction contract receivable	-	209,759	-	-
Owing from subsidiaries	-	-	1,991	25,935
Income tax refund	-	-	350	-
Other	7,809	4,468	875	47
Total current trade and other receivables	**601,402**	**866,172**	**3,975**	**28,422**
Non-Current Assets				
Loan to associate	-	1,867	-	-
Total non-current trade and other receivables	**-**	**1,867**	**-**	**-**

The fair values of trade and other receivables approximate their carrying amounts.

There is no concentration of credit risk with respect to trade receivables due to the Group's customer base being large in number and unrelated. Due to this, management believe there is no further credit risk provision required in excess of the normal provision for doubtful receivables. The creation and reversal of provisions for impaired receivables have been included in operating expenses in the Income Statement.

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2009 $'000	2008 $'000
At 1 July	51,876	53,965
Arising on acquisition of subsidiary	-	942
Provision for impairment recognised in the current year	30,520	30,140
Receivables written off during the current year as uncollectible	(22,587)	(32,796)
Unused amount reversed	(1,580)	588
Currency translation adjustment	1,795	(964)
	60,024	**51,876**

12) INVENTORIES (CURRENT ASSETS)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Network development and maintenance stocks	11,378	9,484	-	-
Consumable and other stocks	6,252	13,029	-	-
Total inventories	**17,630**	**22,513**	-	-

The cost of inventories recognised as an expense and included in "operating expenses" amounted to $203.1million (2008: $205.1 million). The net replacement cost of stocks is not expected to be materially different from that shown above. The creation and usage of provision for impaired inventories have been included in operating expenses in the Income Statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

13) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CURRENT ASSETS)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
At beginning of the year	48,392	95,849	-	-
Additions	-	-	-	-
Investment performance	(7,303)	-	-	-
Disposals	(26,657)	(47,457)	-	-
At end of year	**14,432**	**48,392**	**-**	**-**
Listed equity securities		-	-	-
Financial asset associated with Temporary Income Stream annuity	14,432	48,392	-	-
	14,432	**48,392**	**-**	**-**

Temporary Income Stream ("TIS")

Prior to its acquisition by ERC, eircom established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. The assets set aside to fund the payment stream at the Balance Sheet date are recognised under "financial asset at fair value through profit or loss" and the liability is recognised under provisions.

14) DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current Assets				
Foreign currency options (Note 14(A)(i))	-	7,522	-	7,522
Foreign currency forward exchange contracts (Note 14(A)(i))	-	-	-	1,887
Total current derivative financial instrument assets	**-**	**7,522**	**-**	**9,409**
Non-Current Assets				
Interest rate swaps – cash flow hedges (Note 14(A)(ii))	-	145,438	-	-
Foreign currency forward exchange contracts (Note 14(A)(i))	-	1,887	-	-
Total non-current derivative financial instrument assets	**-**	**147,325**	**-**	**-**
Current Liabilities				
Interest rate swaps – cash flow hedges (Note 14(A)(ii))	122,938	-	-	-
Foreign currency forward exchange contracts (Note 14(A)(i))	-	7,910	-	-
Total current derivative financial instrument liabilities	**122,938**	**7,910**	**-**	**-**
Non-Current Liabilities				
Interest rate swaps – cash flow hedges (Note 14(A)(ii))	121,874	-	-	-
Foreign currency forward exchange contracts (Note 14(A)(i))	-	2,071	-	-
Total non-current derivative financial instrument liabilities	**121,874**	**2,071**	**-**	**-**

(A) INSTRUMENTS USED BY THE GROUP

(i) Foreign currency derivative financial instruments

The Company's investment in eircom Group Limited is denominated in EURO. In order to protect against exchange rate movements upon translating the investment at each reporting date from EURO to Australian dollars, the Group had purchased EURO-denominated foreign exchange put options and foreign exchange contracts with a notional value of approximately €260 million. The options and foreign exchange contracts were exited during the financial year. These foreign currency options never received hedge accounting treatment and were marked-to-market through the income statement.

The Company's investment in GPM is denominated in New Israeli Shekel (NIS). In order to protect against exchange rate movements upon translating the investment at each reporting date from NIS to Australian dollars, the Group had purchased NIS denominated foreign exchange put options and foreign exchange contracts with a notional value of approximately NIS344 million. These options and foreign exchange contracts had initially received hedge accounting treatment and became ineffective during the financial year. These contracts were exited during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

(ii) Interest rate swap contracts – cash flow hedges

It is the Group's policy to at least partially protect long-term borrowings from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 70% of future anticipated borrowings. Under the swaps the Company pays fixed interest of between 3.79% and 4.47% (2008: 3.79% and 4.47%) and receives floating six-month EURIBOR-Telerate interest rate.

As at 30 June 2009, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2009 $'000	2009 €'000	2008 $'000	2008 €'000
Less than 1 year	2,173,535	1,250,000	-	-
1-2 years	-	-	2,050,525	1,250,000
2 - 3 years	2,173,535	1,250,000	-	-
3 - 4 years	1,738,828	1,000,000	2,050,525	1,250,000
4 - 5 years	869,414	500,000	820,210	500,000
	6,955,312	**4,000,000**	**4,921,260**	**3,000,000**

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the cash flow hedging reserve, to the extent that the hedge is effective, and re-classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the Income Statement immediately. There are no interest rate swaps outside of eircom.

15) NON CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

(A) ASSETS OF DISPOSAL GROUP HELD FOR SALE

	Consolidated	
	2009 $'000	2008 $'000
Cash and cash equivalents	4,076	5,684
Current assets (ex-cash)	45,612	40,683
Intangible assets	149,580	241,546
Other non-current assets	10,533	76,630
	209,801	**364,543**

(B) LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Current liabilities	39,312	43,686
Borrowings	163,129	210,425
Other non-current liabilities	6,899	17,253
	209,340	**271,364**

16) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (NON-CURRENT ASSETS)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Carrying value of the investment in associate	943	711	-	-
	943	**711**	**-**	**-**

Investments in associates are accounted for in the consolidated financial results using the equity method of accounting.

(A) CARRYING AMOUNTS

Information relating to associates is set out below:

Name of company	Country of incorporation	Principal activity	Ownership interest held by consolidated entity		Consolidated		Parent entity	
			2009 %	2008 %	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Unlisted								
Buy4Now Limited	Ireland	Software development	32.2	22.0	711	236	-	-
Altion Limited	Ireland	Telecommunications	16.8	33.0	232	234	-	-
Tichofonist	Israel	Directories	N/A	25.0	-	241	-	-
Total					**943**	**711**	**-**	**-**

16) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (NON-CURRENT ASSETS) CONTINUED

(B) CARRYING AMOUNT AT END OF YEAR

	2009 $'000	2008 $'000
Carrying amount at the beginning of the financial year	711	134
Arising on acquisition of subsidiary	-	241
Share of associates gains after income tax	3,073	329
Foreign currency translation reserve movement	-	7
Dividends received/receivable	(2,626)	-
Reclassification of Golden Pages as held for sale	(215)	-
Carrying amount at the end of the financial year	**943**	**711**

(C) SHARE OF ASSOCIATES PROFITS

Profits before income tax	2,657	376
Income tax expense/(benefit)	(187)	(47)
Profits after income tax	**2,470**	**329**

(D) SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

The Group share of results of its associates, all of which are unlisted, and its share of the assets and liabilities are as follows:

	30 June 2009			
	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
Buy4Now Limited	1,021	311	2,275	2,522
Altion Limited	569	336	785	737
Tichofinist	-	-	-	(789)
Total	**1,590**	**647**	**3,060**	**2,470**

	30 June 2008			
	Assets $'000	Liabilities $'000	Revenues $'000	Profit $'000
Buy4Now Limited	1,901	997	2,457	95
Altion Limited	980	577	1,401	234
Tichofinist	241	-	-	-
Total	**3,122**	**1,574**	**3,858**	**329**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

17) PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS)

	Consolidated		
At 30 June 2009	**Land & Buildings $'000**	**Plant & Equipment (incl. networks) $'000**	**Total $'000**
Cost or Valuation			
At the beginning of the financial year	931,703	3,613,810	4,545,513
Reclassification of Golden Pages held for sale	(2,879)	(20,162)	(23,041)
Additions	4,336	558,291	562,627
Disposals/retirements	(24,587)	(16,736)	(41,323)
Transfers	(9)	(6)	(15)
Foreign exchange adjustment	56,827	183,459	240,286
At 30 June 2009	**965,391**	**4,318,656**	**5,284,047**
Accumulated Depreciation			
At the beginning of the financial year	61,247	932,527	993,774
Reclassification of Golden Pages held for sale	(1,496)	(14,749)	(16,245)
Depreciation charge for the year	33,876	579,246	613,122
Disposals/retirements	(3,944)	(17,409)	(21,353)
Impairments	32,317[1]	-	32,317
Foreign exchange adjustment	(9)	22,642	22,633
At 30 June 2009	**121,991**	**1,502,257**	**1,624,248**
Total net book value at 30 June 2009	**843,400**	**2,816,399**	**3,659,799**

[1] The group incurred impairment charges of $32.3 million (€17 million) in respect of a small number of properties, which have been identified for future disposal. The charge reflects the decline in fair value of these properties at 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

17) PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT ASSETS) CONTINUED

	Consolidated		
At 30 June 2008	Land & Buildings $'000	Plant & Equipment (incl. networks) $'000	Total $'000
Cost or Valuation			
At the beginning of the financial year	914,708	3,000,020	3,914,728
Arising on acquisition of subsidiary	2,026	16,488	18,514
Additions	4,614	496,676	501,290
Disposals/retirements	(14,062)	(15,449)	(29,511)
Transfers	(9,058)	4,386	(4,672)
Foreign exchange adjustment	33,475	111,689	145,164
At 30 June 2008	**931,703**	**3,613,810**	**4,545,513**
Accumulated Depreciation			
At the beginning of the financial year	27,208	415,564	442,772
Arising on acquisition of subsidiary	1,177	12,964	14,141
Depreciation charge for the year	33,083	482,957	516,040
Disposals/retirements	(1,350)	(726)	(2,076)
Transfers	-	4,573	4,573
Foreign exchange adjustment	1,129	17,195	18,324
At 30 June 2008	**61,247**	**932,527**	**993,774**
Total net book value at 30 June 2008	**870,456**	**2,681,283**	**3,551,739**

The Group's policy is to review the remaining economic lives and residual values of property, plant and equipment on an ongoing basis and to adjust the depreciation charge to reflect the remaining estimated life and residual value.

The Group has capitalised interest costs of $12.4 million (2008: $17.8 million) that are directly attributable to the construction of qualifying property, plant and equipment. The rate applied to capitalised interest is 6.9% (2008: 6.9%).

(i) Assets in the Course of Construction

Included in property, plant and equipment as at 30 June 2009 are assets in the course of construction of $229.0 million (2008: $207.0 million).

(ii) Analysis of Book Value of Land and Buildings

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Freehold				
Land	571,779	692,913	-	-
Leasehold				
Over 50 year unexpired	244,538	153,041	-	-
Under 50 year unexpired	27,083	24,502	-	-
	843,400	**870,456**	**-**	**-**

18) OTHER ASSETS

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current Assets				
Lease receivable (Note 22)	41,885	43,279	-	-
Other	-	4,467	-	-
	41,885	**47,746**	**-**	**-**
Non Current Assets				
Shares in controlled entities	-	-	1	1
Other investments*	-	-	67,162	521,999
Lease receivable (Note 22)	1,758	36,916	-	-
Other	2,922	4,561	-	-
	4,680	**41,477**	**67,163**	**522,000**

* Other investments in subsidiaries include parent entity interest in subsidiaries as described in Note 1(C)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

19) DEFERRED TAX ASSETS (NON-CURRENT ASSETS)

The balance comprises temporary differences attributable to:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Amounts Recognised in Profit and Loss				
Net losses on derivatives not qualifying as hedges	-	493	-	493
Put option premiums	-	2,947	-	-
Tax losses	3,252	34,052	-	-
Property, plant and equipment	17,745	-	-	-
Deferred tax asset not brought account	(1,449)	-	(1,449)	-
Other	2,745	1,322	463	222
	22,293	**38,814**	**(986)**	**715**
Amounts Recognised Directly in Equity				
Share issue expenses	966	2,362	966	2,362
Share buy-back expenses	235	200	235	200
Return of capital costs	13	-	13	-
Total deferred tax asset	**23,507**	**41,376**	**228**	**3,277**

Movements

Opening balance at the beginning of the year	41,376	46,496	3,277	4,956
Deferred tax asset recognised upon acquisition of subsidiary	-	2,343	-	-
Charged to the income statement	(13,134)	(11,849)	(1,725)	(1,324)
Credited to equity	125	399	125	250
Prior year overprovision credited to Income Statement	(822)	1,833	-	-
Tax transfer from consolidated entities	-	-	-	650
Deferred tax asset not brought to account	(1,449)	-	(1,449)	-
Reclassification of Golden Pages as held for sale	(2,741)	-	-	-
Foreign exchange adjustment	152	2,154	-	-
Closing balance at 30 June	**23,507**	**41,376**	**228**	**3,277**
Deferred tax assets to be recovered within 12 months	5,763	5,021	228	2,074
Deferred tax assets to be recovered after more than 12 months	17,744	36,355	-	1,203
	23,507	**41,376**	**228**	**3,277**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

20) INTANGIBLE ASSETS (NON-CURRENT ASSETS)

At 30 June 2009	Goodwill $'000	Licences & sites $'000	Computer Software & databases $'000	Brand Names & Trademarks $'000	Contracts & Related Customer Relationships $'000	Total $'000
Cost						
At the beginning of the financial year	4,114,339	274,632	183,249	536,517	550,520	5,659,257
Reclassification of Golden Pages as held for sale	(234,114)	(5,649)	(2,642)	(38,516)	(35,021)	(315,942)
Additions	-	-	79,024	-	4,554	83,578
Transfers	-	-	(17)	-	-	(17)
Disposals/retirements	-	-	(211)	-	-	(211)
Foreign exchange adjustment	232,783	16,136	6,295	29,875	30,662	315,751
At 30 June 2009	**4,113,008**	**285,119**	**265,698**	**527,876**	**550,715**	**5,742,416**
Amortisation						
At the beginning of the financial year	4,273	32,505	65,660	10,994	143,589	257,021
Charge for the financial year	-	23,225	60,275	6,421	65,857	155,778
Impairment	1,422,610	-	-	-	-	1,422,610
Disposals	-	-	(217)	-	-	(217)
Reclassification of Golden Pages as held for sale	(4,273)	(3,174)	(250)	(88)	(526)	(8,311)
Foreign exchange adjustment	(170,436)	421	467	285	4,792	(164,471)
At 30 June 2009	**1,252,174**	**52,977**	**125,935**	**17,612**	**213,712**	**1,662,410**
Total net book value at 30 June 2009	**2,860,834**	**232,142**	**139,763**	**510,264**	**337,003**	**4,080,006**

At 30 June 2008	Goodwill $'000	Licences & sites $'000	Computer Software & databases $'000	Brand Names & Trademarks $'000	Contracts & Related Customer Relationships $'000	Total $'000
Cost						
At the beginning of the financial year	3,844,325	254,583	84,741	480,578	492,039	5,156,266
Arising on acquisition of subsidiary	194,512	337	4,900	33,242	29,327	262,318
Additions	10,382	10,221	85,179	697	7,219	113,698
Transfers	-	-	4,673	-	-	4,673
Disposals/retirements	(99,266)	-	(196)	-	-	(99,462)
Foreign exchange adjustment	164,386	9,491	3,952	22,000	21,935	221,764
At 30 June 2008	**4,114,339**	**274,632**	**183,249**	**536,517**	**550,520**	**5,659,257**
Amortisation						
At the beginning of the financial year	-	13,456	22,894	5,148	69,369	110,867
Charge for the financial year	-	18,388	40,778	5,637	71,441	136,244
Impairment	4,273	-	-	-	-	4,273
Transfers	-	-	1,050	-	-	1,050
Foreign exchange adjustment	-	661	938	209	2,779	4,587
At 30 June 2008	**4,273**	**32,505**	**65,660**	**10,994**	**143,589**	**257,021**
Total net book value at 30 June 2008	**4,110,066**	**242,127**	**117,589**	**525,523**	**406,931**	**5,402,236**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (CONTINUED)

20) INTANGIBLE ASSETS (NON-CURRENT ASSETS) CONTINUED

eircom Goodwill

Goodwill is not subject to amortisation. Instead, goodwill is tested for impairment annually, or whenever events or changes in circumstances indicate that the carrying value might be impaired, and is carried at cost less accumulated impairment losses.

The impairment losses recognised in the consolidated income statement, as a separate line item within operating profit, in respect of goodwill are as follows:

	2009 $'000	2008 $'000
Fixed Line	800,204	-
Mobile	622,406	-
	1,422,610	**-**

The goodwill arising on the acquisition of eircom Group has been allocated to the group's CGUs identified according to business segments. The group has two CGU's, fixed line and mobile. A segment level summary of goodwill and other indefinite lived assets is presented below.

	2009 €'m	2008 €'m
Goodwill:		
Fixed line	1,631	1,631
Accumulated impairments	(405)	-
Fixed line goodwill	**1,226**	**1,631**
Fixed line trademark	**262**	**262**
Fixed line goodwill and other indefinite lived assets	**1,488**	**1,893**
Mobile	711	711
Accumulated impairments	(315)	-
Mobile goodwill	**396**	**711**
Goodwill	1,622	2,342
Total goodwill and other indefinite lived assets	**1,884**	**2,604**

This table has been presented in Euros rather than presentation currently of Australian dollars, to enhance understandability. This table is not required by Australian Accounting Standards.

The value of indefinite life assets were tested as at 30 June 2009, after business planning had been completed. The impairment test has been performed at an individual CGU level.

Impairment testing methodology

The recoverable amount of a CGU is determined on the basis of value-in-use, using the discounted cash flow (DCF) method. These calculations use post-tax cash flow projections based on business plans approved by the Board of Directors covering a two-year period. The forecast operating cash flows for the individual CGUs include the benefits of restructuring, where the group is committed to the restructuring as at 30 June 2009 and provision for the related restructuring costs is included at 30 June 2009. Cash flows beyond the two-year period are extrapolated using the estimated long-term growth rates stated below. The cash flows, including terminal value estimations, are discounted using the discount rates stated below.

Key assumptions

The key assumptions are based on past experience, adjusted for expected changes in future conditions. Key assumptions involved in the calculation of value in use include management's estimates of future operating cash-flows, replacement capital expenditure requirements, tax considerations, future retirement benefits cash-flows, discount rates and long-term growth rates. The key assumptions in relation to long-term growth rates and discount rates were evaluated with regard to external information on comparable companies in similar markets.

The Group considers the business plan and long-term projections to be reasonable in view of the anticipated long-term performance of the Irish economy.

20) INTANGIBLE ASSETS (NON-CURRENT ASSETS) CONTINUED

Key assumptions for value-in-use calculations:

	Growth rate %		Discount rate %		Carrying Value $'m	
	2009	2008	2009	2008	2009	2008
Goodwill						
eircom - fixed line	0.25	0.5	8.5	8.6	2,131,803	2,675,525
eircom - mobile	0.75	2.0	9.0	9.2	688,576	1,666,339
Golden Pages - Israel	N/A	Nil-2	N/A	12.3	-	194
Total Goodwill					**2,820,379**	**4,342,058**
Brand Names						
eircom - fixed line	0.25	0.5	8.6	8.5	455,573	429,297
Golden Pages Israel	N/A	Nil – 2	N/A	12.3	-	22,505
Total Brand Names					**455,573**	**451,802**

Long Term Growth Rates

The perpetuity growth rates are determined based on the long-term historical growth rates of the sectors in which the CGU operates, and reflect an assessment of the long-term growth prospects of the sector. The growth rates have been benchmarked against external data for the relevant markets. None of the growth rates applied exceed the long-term historical average growth rates for those markets or sectors.

Discount Rates

The discount rates used are post tax and reflect specific risks relating to the relevant CGUs. The discount rate applied to the cash flows of the group's segments are based on the risk free rate for ten year plus Irish government bonds. In estimating the discount rate, inputs required are the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the specific CGUs operations relative to the market as a whole. In determining the risk adjusted discount rate, management has applied an adjustment for the risk of the Group's CGUs determined using an average of the betas of comparable companies.
Assuming pre-tax discount rates were used, these would have been 9.7% (2008: 9.9%) for fixed line and 10.3% (2008:10.5%) for mobile.

Impairment Testing Results

At 31 December 2008, indicators of impairment existed which required the group to test its indefinite life assets, including goodwill, for impairment. The goodwill in relation to the group's fixed line and mobile operations was impaired by €405 million and €315 million respectively. The impairment charge in the fixed line business also reflects the cash outflows required to fund the group's unrecognised actuarial losses in respect of the group's pension deficit at 31 December 2008 and the deterioration in the Irish economic environment and the outlook for the business. The impairment charge in the mobile business reflects the deterioration in the Irish economic environment and the outlook for the business. A subsequent test was carried out at 30 June 2009. No further impairment was identified. All key assumptions, including the cash flow projections within the business plans used for the impairment testing, were updated from those used at 31 December 2008.

Sensitivity analysis

The results of sensitivity analysis on the key assumptions used in the value in use calculations are detailed below:

The percentages shown in the table below represent the increase or decrease in the individual sensitivity factors that would lead to the recoverable amount equalling the carrying value of the assets.

	30 June 2009	
	Fixed line	Mobile
Discount rate (increase)	**0.3%**	**0.1%**
Long term growth rate (decrease)	**0.3%**	**0.1%**
EBITDA (decrease)	**1.9%**	**0.9%**

Any adverse changes in a key assumption underpinning the value in use calculation may cause a further impairment loss to be recognised in future periods. These assumptions have been used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations for the future.

21) TRADE AND OTHER PAYABLES (CURRENT LIABILITIES)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade payables	277,675	208,461	3,856	911
Accruals	616,368	723,247	-	-
Deferred income	270,764	304,517	-	-
Interest accrual	63,822	108,335	-	-
Other payables	6,842	4,797	-	-
Amounts owing to subsidiaries	-	-	-	720
Total trade and other payables	**1,235,471**	**1,349,357**	**3,856**	**1,631**

22) BORROWINGS

Group borrowings consist of non-recourse facilities at the investment level. The eircom and Golden Pages Israel borrowings are presented below. All debt is non-recourse.

Eircom **Facility**	**Amount (AUD'm)**	**Amount (EUR'm)**	**Maturity**
Tranche A	800	460[1]	Sept 2013
Tranche B	2,140	1,231	Sept 2014
Tranche C	2,140	1,231	Sept 2015
Total First Lien Debt	**5,080**	**2,922**	
Second Lien Debt	609	350	Mar 2016
Total Senior Debt	**5,689**	**3,272**	
Floating Rate Notes	609	350	Sept 2016
Total Cash Pay Debt	**6,298**	**3,622**	
PIK Notes[2]	972	559	Feb 2017
Total Debt	**7,270**	**4,181**	
Cash	(583)	(335)	
Net Debt	**6,687**	**3,846**	

[1] Initial draw down €650m
[2] Includes capitalised interest on initial face value of €425m

Golden Pages	**Amount (AUD'm)**	**June 08 (NIS'm)**	**Maturity**
Bank debt	50	159	Feb 2015
Bank overdraft	2	5	Feb 2015
Bank Debt	**52**	**164**	
Debentures	111	353	Apr 2019
Other	-	1	
Total Debt	**163**	**518**	
Cash	(4)	(13)	
Net Debt	**159**	**505**	

22) BORROWINGS (CONTINUED)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Unsecured				
Bank overdraft	3,405	10,124	-	-
Other loans	-	120,991	-	-
Secured				
Bank loan - senior credit facility	142,736	248,741	-	-
Bank loan facility - other	-	15,747	-	-
Finance leases defeased (Note 18)	41,885	43,279	-	-
Finance leases	1,675	3,774	-	-
Total current borrowings	**189,701**	**442,656**	**-**	**-**
Unsecured				
PIK notes	957,764	806,614	-	-
Secured				
Floating rate notes	589,178	552,848	-	-
Bank loan – senior credit facility	5,493,186	5,225,267	-	-
Preference shares	-	117,288	-	-
Debentures	-	105,670	-	
Finance leases defeased (Note 18)	1,758	36,916	-	-
Finance leases	386	1,941	-	-
Total non-current borrowings	**7,042,272**	**6,846,544**	**-**	**-**
Total facilities	7,581,651	7,393,257	-	-
Used at balance date	(7,475,942)	(7,224,250)	-	-
Debt issue costs included in borrowings	132,531	145,281	-	-
Unused at balance date	**238,240**	**314,288**	**-**	**-**
Assets Pledged as Security				
Assets - floating charge				
Cash and cash equivalents	-	-	-	-
eircom assets	9,038,747	10,283,270	-	-
Golden Pages assets	209,801	364,543	-	-
Total assets pledged as security	**9,248,548**	**10,647,813**	**-**	**-**

22) BORROWINGS (NON-CURRENT ASSETS)

(A) FINANCING ARRANGEMENTS - eircom

Senior credit facility

The senior credit facility totalling $6.28 billion (€3.61 billion) consists of $5.69 billion (€3.27 billion) term facility and a $260.8 million (€150 million) revolving credit facility. The senior credit facility is secured by a first-priority pledge over the assets of ERC Ireland Holdings Limited and, second priority on assets of eircom Ltd, ERC Luxembourg Holdings Limited, Meteor Mobile Communications Ltd, Irish Telecommunications Investments Ltd, Valentia Telecommunications and eircom Group Ltd. The senior credit facility has an effective interest rate of approximately 3% at 30 June 2009 (2008: 4.27%). This rate is inclusive of interest rate swaps discussed in Note 14. The senior debt is issued in four tranches. These tranches have maturity dates between 2013 and 2016. Early repayment of the senior credit facility is allowed given 5 days notice with the exception of facility D which cannot be repaid unless facility A, facility B and facility C have been paid in full and the revolving credit facility has been reduced to zero.

Floating Rate Notes

The floating rate notes of $609 million (€350 million) are secured, amongst other things by a first-priority pledge of the shares in ERC Ireland Holdings Limited and second priority on assets of eircom Ltd, ERC Luxembourg Holdings Limited, Meteor Mobile Communications Ltd, Irish Telecommunications Investments Ltd, Valentia Telecommunications, eircom Group Ltd. The floating rate notes were issued at a margin of 5.0% above the three-month Euribor and have an effective interest rate of 6.28% at 30 June 2009 (2008: 9.86%).The notes mature in August 2016. The notes may be redeemed in whole or part at any time upon payment of a “make whole” premium.

PIK Notes

The PIK notes issued by the Group in November 2006 totalled of $739 million (€425 million) are unsecured and bear a margin of 7.0% over Euribor. Interest on the PIK will be paid in the form of additional PIK notes and there will be no cash impact while the interest is paid in additional PIK notes. The PIK notes have a maturity date of February 2017. Inclusive of accrued interest, the balance of the PIK notes at 30 June 2009 was $972 million (€559 million)The notes may be redeemed in whole or part at any time upon payment of a “make whole” premium.

The PIK notes have an effective interest rate of 8.28% at 30 June 2009 (2008:11.86%).

Finance Leases

Two subsidiaries within the Group are party to a financing transaction under which lease receivable balances equal lease obligation balances. These are shown gross on the balance sheet. The liability is recognised under “borrowings” and the lease receivable balance is recognised under “other assets”. These borrowings are secured over the leased assets. The finance leases have an effective interest rate of between 5.4% and 8.2% (2008: 5.4%-8.2%). Refer to Note 31 for further information on finance leases.

Preference Shares

Mandatorily redeemable preference shares have been issued to the ESOT in one the Group’s subsidiaries ERC Ireland Holdings Limited. These have been fully redeemed at 30 June 2009. Additional funds were drawn down under the Senior Credit Facility to repay the Senior Preference Shares.

(B) FINANCING ARRANGEMENTS – GOLDEN PAGES

Debentures

Corporate debentures were issued in GPM in 2006. These bonds rank behind bank loans and have an effective interest rate at balance date of 5.65%, adjusted for movements in CPI.

Bank Loan

The senior credit facility totalling $50.0 million (NIS159 million) is secured by a first-priority pledge over the assets of GPM Classified Directories (Management & Marketing) Ltd. The effective interest rate of the loan is approximately 5.80% at 30 June 2009 (2008: 5.86%). Consistent with Israeli sourced loans, the principal of the loan is adjusted for CPI movements. This movement is recognised within finance costs.

(C) FINANCING ARRANGEMENTS – CORPORATE

Corporate segment has no borrowing facilities at balance date.

22) BORROWINGS (NON-CURRENT ASSETS) CONTINUED

(D) INTEREST RATE EXPOSURES

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods. Exposures arise predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

		Fixed interest rate						
2009	**Floating interest rate $'000**	**1 year or less $'000**	**Over 1 to 2 years $'000**	**Over 2 to 3 years $'000**	**Over 3 to 4 years $'000**	**Over 4 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Bank overdraft	3,405	-	-	-	-	-	-	3,405
Bank loan – senior credit facility	5,592,651	-	-	-	-	-	-	5,592,651
Floating rate notes	589,179	-	-	-	-	-	-	589,179
PIK notes	957,764	-	-	-	-	-	-	957,764
Finance leases	45,704	-	-	-	-	-	-	45,704
Other loans	43,270	-	-	-	-	-	-	43,270
Interest rate swaps (Note 14)	(6,955,312)	2,173,535	-	2,173,535	1,738,828	869,414	-	-
Total borrowings	**276,661**	**2,173,535**	**-**	**2,173,535**	**1,738,828**	**869,414**	**-**	**7,231,973**
Weighted average interest rate	4.12%	3.40%	-	3.77%	3.65%	4.12%	-	-

		Fixed interest rate						
2008	**Floating interest rate $'000**	**1 year or less $'000**	**Over 1 to 2 years $'000**	**Over 2 to 3 years $'000**	**Over 3 to 4 years $'000**	**Over 4 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Bank overdraft	10,124	-	-	-	-	-	-	10,124
Bank loan – senior credit facility	5,489,755	-	-	-	-	-	-	5,489,755
Debentures	105,670	-	-	-	-	-	-	105,670
Preference Shares	117,288	-	-	-	-	-	-	117,288
Floating rate notes	552,848	-	-	-	-	-	-	552,848
PIK notes	806,614	-	-	-	-	-	-	806,614
Finance leases	85,910	-	-	-	-	-	-	85,910
Other loans	120,991	-	-	-	-	-	-	120,991
Interest rate swaps (Note 14)	(4,921,260)	-	2,050,525	-	2,050,525	820,210	-	-
Total borrowings	**2,367,940**	**-**	**2,050,525**	**-**	**2,050,525**	**820,210**	**-**	**7,289,200**
Weighted average interest rate	5.08%	-	3.79%	-	3.93%	4.47%	-	-

23) PROVISIONS

	Consolidated				
	TIS Annuity Scheme $'000	**Onerous Contracts $'000**	**Restructuring Costs $'000**	**Other $'000**	**Total $'000**
At the beginning of the financial year	169,873	23,225	99,484	231,035	523,617
Reclassification of Golden Pages as held for sale	-	-	-	(8,659)	(8,659)
Charged to Income Statement	23,843	46,764	49,815	31,340	151,762
Utilised during the year	(40,114)	(6,107)	(58,057)	(13,554)	(117,832)
Transfer to retirement benefit	-	-	(10,354)	-	(10,354)
Foreign exchange adjustment	11,127	5,663	7,038	12,824	36,652
At 30 June 2009	**164,729**	**69,545**	**87,926**	**252,986**	**575,186**

23) PROVISIONS (CONTINUED)

	Consolidated				
	TIS Annuity Scheme $'000	Onerous Contracts $'000	Restructuring Costs $'000	Other $'000	Total $'000
At the beginning of the financial year	166,851	26,834	248,536	130,416	572,637
Arising on acquisition of subsidiary	-	-	-	2,831	2,831
Charged to Income Statement	26,311	(1,168)	-	23,491	48,634
Utilised during the year	(29,335)	(3,409)	(157,906)	(12,683)	(203,333)
Transfer in from payables	-	-	-	82,028	82,028
Foreign exchange adjustment	6,046	968	8,854	4,952	20,820
At 30 June 2008	**169,873**	**23,225**	**99,484**	**231,035**	**523,617**

Provisions have been analysed between current and non-current as follows:

	Consolidated	
	2009 $'000	2008 $'000
Current	131,866	129,892
Non-current	443,320	393,725
	575,186	**523,617**

Temporary income stream ("TIS")

Prior to its acquisition by ERC, eircom established an annuity scheme whereby employees participating in a voluntary termination scheme could accept payment in one lump sum or as an annuity to be paid out over a period of ten years. The Group estimates the liability as the present value of the fixed payment stream due to employees. The annuity liability is recognised under "provisions for other liabilities and charges" and certain assets set aside to finance the scheme is recognised under "financial asset at fair value through income statement". At 30 June 2009, the remaining TIS annuity scheme provision is expected to be utilised over a period of five years.

Restructuring costs

In May 2007, the group announced a voluntary leaving plan to reduce its workforce by c.900 over three years and included a provision of $248.5 million (€157 million) in the 2007 financial statements to reflect the estimated costs associated with that plan. In March 2009, the group announced a plan to reduce its workforce by 1,200 in the period from 1 April 2009 to 30 June 2011 through voluntary leaving, contractor reductions and natural turnover. The group included a further provision of $49.8 million (€27 million) in the year ended 30 June 2009 to reflect the additional estimated costs associated with that plan. The provisions comprise the estimated benefits payable to staff availing of the voluntary leaving schemes and the associated pension impact quantification of the cost is based on past experience. The group has a constructive obligation in respect of the costs of this staff restructuring programme. As these are voluntary schemes, the timing of individual exits and individual staff participating requires estimation. Changes in those estimates over the life of the plans directly affect the Income Statement.

The utilisation of restructuring provisions during the year comprises of cash payments of $43.5 million (€25 million), individual staff exits agreed but unpaid of $12.2 million (€7 million) (included in accruals) and pension costs associated with restructuring of $10.4 million (€6 million).

Other

The Group is self insured in respect of certain personal injury and damage claims. There is a provision for the estimated cost of incidents which have occurred up to 30 June 2009, based on a case by case review with actuarial assistance. The payments will be made as the cases are settled. The Group also has a provision for costs arising from certain compliance matters including certain obligations in relation to the retirement of assets mainly poles, batteries, international cable and dismantling and restoration of mobile antenna sites. It is expected that most of these costs will be paid during the period 2010 to 2027 and these anticipated cash flows are discounted using a rate of 6.6%.

24) RETIREMENT BENEFIT OBLIGATIONS (NON-CURRENT LIABILITIES)

The Group's pension commitments are funded through separately administered Superannuation Schemes and are principally of a defined benefit nature.

In respect of the principal scheme, the actual contributions are based on a rate of 7.80% of pensionable emoluments, as advised by the Group's Actuaries. The last full Actuarial Valuation of the principal scheme was carried out, using the attained age method, as at 30 September 2007 by Mercer Human Resource Consulting who are actuaries to the Scheme but are neither officers nor employees of the Group. The actuarial method used involved determining an appropriate future Group contribution rate designed to fund the projected liabilities of the Scheme related to service subsequent to 1 January 1984 over the remaining working lifetime of the current members. The primary financial assumption underlying the actuarial valuation was that the Scheme's investments will earn a real rate of investment return, over and above salary inflation and pension increases of 2.50% to 2.75% per annum. At the date of the last actuarial valuation, the market value of the pension scheme assets was $5,331 million and the actuarial valuation of the assets attributable to the pension fund was sufficient to meet more than 100% of the value of the scheme's accrued liabilities making due allowance for future increases in salaries and pensions. Mercer Human Resourcing Consulting also performs annual valuations as required under the accounting standard.

24) RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(A) PENSION SCHEME OBLIGATION

The status of the defined benefit scheme is as follows:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Present value of funded obligations	4,583,806	4,471,927	-	-
Fair value of the scheme assets	(3,827,735)	(4,503,915)	-	-
Benefit obligation in excess of scheme assets	**756,071**	**(31,988)**	**-**	**-**
Unrecognised actuarial (losses)/gains	(566,894)	217,746	-	-
Total retirement benefit obligation	**189,177**	**185,758**	**-**	**-**

(B) THE AMOUNTS RECOGNISED IN THE INCOME STATEMENT

Current service costs	71,235	91,444	-	-
Interest on obligation	293,445	246,786	-	-
Expected return on scheme assets	(352,142)	(347,239)	-	-
Net actuarial gains recognised during the year	-	(34,351)	-	-
Total expense included in employee benefits	**12,538**	**(43,360)**	**-**	**-**
Actual return on scheme assets	**(915,174)**	**(828,973)**	**-**	**-**

At 30 June 2009 unrecognised actuarial gains exceeded the present value of the defined benefit obligation by more than 10%. The expected contribution levels for the year ended 30 June 2010 are $29.6 million and the expected charge in the income statement is $69.5 million.

(C) RECONCILIATIONS

(i) Defined Benefit Obligation

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Opening balance	4,471,927	4,489,324	-	-
Current service cost	71,235	91,444	-	-
Interest cost	293,445	246,786	-	-
Transfer from provisions for liabilities and charges	9,758	-	-	-
Actuarial gains	(469,616)	(467,659)	-	-
Contributions by employees	28,924	27,792	-	-
Benefits paid	(90,137)	(78,512)	-	-
Foreign exchange adjustment	268,270	162,752	-	-
Total defined benefit obligation	**4,583,806**	**4,471,927**	-	-
Actuarial gains/(losses) not recognised	-	-	-	-
Total defined benefit obligation including unrecognised (gains)/losses as per corridor approach	**4,583,806**	**4,471,927**	**-**	**-**

(ii) Fair Value of Plan Assets

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Opening balance	(4,503,915)	(5,157,898)	-	-
Expected return on plan assets	(352,142)	(347,239)	-	-
Actuarial gains	1,267,316	1,176,212	-	-
Contributions employees	(28,924)	(27,792)	-	-
Contributions group companies	(30,020)	(38,720)	-	-
Benefits paid	90,137	78,512	-	-
Foreign exchange adjustment	(270,187)	(186,990)	-	-
Total fair value of plan assets	**(3,827,735)**	**(4,503,915)**	**-**	**-**

24) RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(D) PENSION SCHEME ASSETS

The table below presents a breakdown of the various types of investment in which the pension assets are invested:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Equities and other assets	2,250,454	2,806,766	-	-
Bonds	1,119,820	997,075	-	-
Property	229,360	407,776	-	-
Cash	228,101	292,298	-	-
Total pension scheme assets	**3,827,735**	**4,503,915**	**-**	**-**

(E) ASSUMPTIONS OF ACTUARIAL CALCULATIONS

The main financial assumptions used in the valuations were:

	2009	2008
Rate of salary increase	2.80%	3.50%
Rate of increase in pensions	2.80%	3.50%
Discount rate	5.75%	6.25%
Expected return on scheme	6.95%	7.40%
Inflation assumption	2.00%	2.50%
Deferred benefit revaluation	2.80%	-

The rate of increase is 0% up to 30 June 2011 and 2.8% thereafter

Mortality assumptions	**2009**	**2008**
Implied life expectancy male 65 pensions in payment	86 years	86 years
Implied life expectancy female 65 pensions in payment	89 years	89 years
Implied life expectancy male 65 future retirements	87 years	87 years
Implied life expectancy female 65 future retirements	90 years	90 years
Decrease in net liabilities at the balance sheet date assuming an increase in the discount rate applied of 0.25%	**$189.5 million**	**$191.9 million**
Decrease in net liabilities at the balance sheet date assuming an decrease in the salary and pension growth applied of 0.25%	**$168.7 million**	**$191.9 million**

Expected long-term rate of return	**2009**	**2008**
Equities	8.60%	8.40%
Bonds	4.40%	5.00%
Cash	2.50%	4.50%
Property	7.60%	7.40%

25) DEFERRED TAX LIABILITIES (NON-CURRENT LIABILITIES)

The balance comprises temporary differences attributable to:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Amounts recognised in profit and loss				
Property, plant and equipment	300,849	297,935	-	-
Deferred revenue	(3,794)	(3,891)	-	-
Intangibles	113,306	116,257	-	-
Provisions	864	(3,894)	-	-
Net losses on derivatives not qualifying as hedges	-	-	-	566
Interest receivable	134	649	134	649
Other	(28,680)	(21,093)	94	83
	382,679	**385,963**	**228**	**1,298**
Amounts recognised in equity				
Cash flow hedge	(27,257)	42,177	-	-
Total deferred tax liability	**355,422**	**428,140**	**228**	**1,298**

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Movements				
Opening balance at the beginning of the year	428,140	378,854	1,298	1,289
Arising on acquisition of subsidiary	-	10,518	-	-
(Credited)/charged to the income statement	(31,151)	(21,378)	(1,070)	9
Charged to equity	(56,310)	16,282	-	-
Transfers	-	30,143	-	-
Reclassification of Golden Pages held for sale	(10,249)	-	-	-
Foreign exchange adjustment	24,992	13,721	-	-
Closing balance at 30 June	**355,422**	**428,140**	**228**	**1,298**
Deferred tax liabilities to be settled within 12 months	31,836	37,285	228	1,298
Deferred tax liabilities not settled within 12 months	323,586	390,855	-	-
	355,422	**428,140**	**228**	**1,298**

26) CONTRIBUTED EQUITY

	Parent		Parent	
	2009 Shares	2008 Shares	2009 $'000	2008 $'000
(A) AUTHORISED, ISSUED, PAID UP CAPITAL				
Ordinary Shares fully paid	200,000,000	200,000,000	1,000,000	1,000,000
(B) MOVEMENTS IN SHARES ON ISSUE				
Beginning of financial year	167,904,914	200,000,000	834,450	957,026
Return of capital	-	-	(100,782)	-
On market share buy-back	-	(32,095,086)	(251)	(122,576)
Closing balance at 30 June	**167,904,914**	**167,904,914**	**733,417**	**834,450**

(C) ORDINARY SHARES

Ordinary Shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid up on Shares held. On a show of hands every holder of ordinary Shares present at a meeting in person or by proxy is entitled to one vote, and upon poll each Share is entitled to one vote.

There was no off-market buy-back program as at 30 June 2009.

(D) SHARE OPTIONS

Information relating to the eircom Holdings Limited options for Non-Executive Directors is set out in Note 36.

26) CONTRIBUTED EQUITY (CONTINUED)

(E) CONVERSION RIGHTS

The Company has issued conversion rights to the eircom Employee Share Ownership Trust ("the ESOT") as part of the acquisition of eircom. The conversion rights which were approved at the 2007 annual general meeting, allows the ESOT to convert its Shares in ERC Ireland Equity SPC ("ERCIE") into ERC Shares. The ESOT isentitled to convert a maximum annual amount of 15% of the ERC issued equity.

The pricing mechanism for conversion requires the Shares in ERCIE to be independently valued by an advisor agreed by both parties. The value of the ERCIE Shares offered for conversion are then converted into ERC Shares at the 3 month weighted average trading price. ERC has the right to decline the independent valuation if the Company believes that the conversion would be too dilutive. If the parties cannot agree on a valuation, then ERC must procure a listing of eircom.

27) RESERVES AND RETAINED PROFITS/(LOSSES)

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(A) RETAINED (LOSSES)/PROFITS				
Balance at the beginning of the financial year	1,759	(99,476)	40,567	26,140
Net (loss)/profit attributable to members of the Company	(1,484,646)	101,235	(565,189)	14,427
Total retained earnings/(loss)	**(1,482,887)**	**1,759**	**(524,622)**	**40,567**
(B) RESERVES				
Foreign currency translation reserve	140,509	14,671	-	-
Share-based payments reserve	1,303	1,881	524	524
Equity reserve	26,239	26,239	26,239	26,239
Investment valuation reserve	5,290	5,209	-	-
Hedging reserve - cash flow hedges	(50,512)	58,952	-	-
Net investment hedge reserve	(33,684)	(5,681)	-	-
Available-for-sale investment revaluation reserve	-	-	-	-
Total reserves	**89,145**	**101,271**	**26,763**	**26,763**
Movement in Reserves:				
Foreign currency translation reserve				
Balance at beginning of year	14,671	6,211	-	-
Currency translation differences arising during the year	125,838	8,460	-	-
Balance at 30 June	**140,509**	**14,671**	**-**	**-**
Share-based payment reserve				
Balance at beginning of year	1,881	1,318	524	1,318
Reversal of share based payment reserve	(1,357)	-	-	-
Options expense (Note 7(A))	779	563	-	(794)
Balance at 30 June	**1,303**	**1,881**	**524**	**524**
Equity reserve				
Balance at beginning of year	26,239	26,239	26,239	26,239
Transfer from retained earnings	-	-	-	-
Balance at 30 June	**26,239**	**26,239**	**26,239**	**26,239**
Investment valuation reserve				
Balance at beginning of year	5,209	4,816	-	-
Changes in investment valuation reserve	81	393	-	-
Balance at 30 June	**5,290**	**5,209**	**-**	**-**
Hedging reserve - cash flow hedges				
Balance at beginning of year	58,952	33,642	-	-
Revaluation of cash flow hedge	(136,721)	67,487	-	-
Deferred tax	27,257	(42,177)	-	-
Balance at 30 June	**(50,512)**	**58,952**	**-**	**-**
Net investment hedge reserve				
Balance at beginning of year	(5,681)	2,515	-	-
Changes in net investment hedge reserve	(28,003)	(8,196)	-	-
Balance at 30 June	**(33,684)**	**(5,681)**	**-**	**-**

27) RESERVES AND RETAINED (LOSSES)/PROFITS (CONTINUED)

(C) NATURE AND PURPOSE OF RESERVES

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in Note 1(E)(iii). The reserve is recognised in the Income Statement when the net investment is disposed of.

(ii) Share-based payment reserve

The share-based payments reserve is used to recognise the fair value of options issued but not exercised**.**

(iii) Equity reserve

The equity reserve is used to recognise the effective interest adjustment arising from the implementation of AASB 132 and 139. The directors determined that the effective interest in retained earnings should not be used to pay future dividends and transferred the net amount to an equity reserve.

(iv) Investment valuation reserve

The investment valuation reserve is used to recognise the fair value movements in the fair value acquisition of the equity accounted investment. Given that the investment was purchased progressively, the change in fair value of the net assets of the associate needs to be recognised in reserves.

(v) Hedging reserve - Cash flow hedge and Net investment hedge

The hedging reserves are used to record gains and losses on a hedging instrument in a cash flow hedge and net investment hedge that are recognised directly in equity, as described in Note 1(M)(ii)-(iii). Amounts are recognised in the Income Statement when the associated hedged transaction affects in the Income Statement.

28) KEY MANAGEMENT PERSONNEL DISCLOSURES

Details of Key Management Personnel

The Key Management Personnel ("KMP") of ERC during the year were:

(A) DIRECTORS AND EXECUTIVES

The following persons were directors of the company during the financial year:

(i) Independent Non-Executive Directors

- Kerry Roxburgh (Chairman)
- Gregory Clark
- Andrew Love

(ii) Non-executive Directors supplied by Babcock & Brown Capital Management Pty Limited

- Phillip Green (resigned 13 September 2008)
- Robert Topfer (resigned 17 September 2008)

(iii) Executive Director

- Andrew Day (Chief Executive Officer)

(iv) Executive of ERC

- Haydn Vella – Chief Financial Officer
- Damien Wodak – General Manager – Investment and Strategy (appointed 8 May 2009)
- John Fanning – Chief Investment Officer (resigned 2 September 2008)
- Deborah Kelly – Chief Operating Officer (resigned 25 August 2008)

(B) KEY MANAGEMENT PERSONNEL REMUNERATION

The aggregate remuneration of the KMP of ERC is set out below:

	2009 $	2008 $
Short-term employee benefits	1,645,456	1,616,362
Post-employment benefits	58,556	49,942
Long-term benefits	4,067	2,750
Share-based payments	209,628	144,796
Total	**1,917,707**	**1,813,850**

Detailed remuneration disclosures are provided in the Remuneration Report detailed on pages 7 to 12.

28) KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(C) EQUITY INSTRUMENT DISCLOSURES RELATING TO KMP

(i) Option Holdings

Outlined below are the option holdings of the KMP over the period 1 July 2008 – 30 June 2009 in eircom Holdings Limited.

Directors of the Company 2009	Balance at start of the year	Granted as remuneration	Acquired during the year	Forfeited during the year	Balance at end of the year
William Wavish[1]	1,000,000	-	-	(1,000,000)	-
Kerry Roxburgh	1,000,000	-	-	-	1,000,000
Robert Topfer[2]	2,000,000	-	-	(2,000,000)	-
Gregory Clark	1,000,000	-	-	-	1,000,000
Total	**5,000,000**	**-**	**-**	**(3,000,000)**	**2,000,000**

[1] William Wavish resigned on 21 April 2008. Mr Wavish's options lapsed on 19 July 2008.
[2] Robert Topfer resigned on 17 September 2008. Mr Topfer's options lapsed on 17 December 2008.

Outlined below are the option holdings of the KMP over the period 1 July 2007 – 30 June 2008 in Eircom Holdings Limited.

Directors of the Company 2008	Balance at start of the year	Granted as remuneration	Acquired during the year	Forfeited during the year	Balance at end of the year
William Wavish[1]	1,000,000	-	-	-	1,000,000
Kerry Roxburgh	1,000,000	-	-	-	1,000,000
Robert Topfer	2,000,000	-	-	-	2,000,000
Gregory Clark	1,000,000	-	-	-	1,000,000
Total	**5,000,000**	**-**	**-**	**-**	**5,000,000**

1 William Wavish resigned on 21 April 2008. Mr Wavish's options lapsed on 19 July 2008.

(ii) Shareholdings in eircom Holdings Limited

Outlined below are the shareholdings of the KMP over the period 1 July 2008 - 30 June 2009 in eircom Holdings Limited. No Shares were granted as remuneration to the KMP during the financial year and no Shares were acquired upon the exercise of options during the financial year.

Directors of the Company 2009	Balance at start of the year	Acquired during the year	Other movements	Balance at end of the year
Phillip Green[1]	1,600,000	-	(1,600,000)	-
Robert Topfer[2]	3,731,158	-	(3,731,158)	-
Total	**5,331,158**	**-**	**(5,331,358)**	**-**

[1]Phillip Green resigned as a Director on 13 September 2008
[2]Robert Topfer resigned as a director on 17 September 2008.

Outlined below are the shareholdings of the KMP over the period 1 July 2007 - 30 June 2008 in eircom Holdings Limited. No Shares were granted as remuneration to the KMP during the financial year and no Shares were acquired upon the exercise of options during the financial year.

Directors of the Company 2008	Balance at start of the year	Acquired during the year	Other movements[1]	Balance at end of the year
William Wavish	25,000	-	(25,000)	-
Phillip Green	1,600,000	-	-	1,600,000
Robert Topfer	3,731,158	-	-	3,731,158
Total	**5,356,158**	**-**	**(25,000)**	**5,331,158**

[1] William Wavish resigned as a director during the year.

No Shares were granted as remuneration to the KMP during the financial year and no Shares were acquired upon the exercise of options during the financial year.

Executives of the Company 2009	Balance at start of the year	Acquired during the year	Sold during the year	Balance at end of the year
John Fanning[1]	62,621	-	(62,621)	-
Deborah Kelly[2]	53,302	-	(53,302)	-
Haydn Vella	15,000	-	-	15,000
Total shareholdings	**130,923**	**-**	**(115,923)**	**15,000**

[1]John Fanning resigned as Cheif Investment Officer on 2 September 2008
[2]Deborah Kelly resigned as Chief Operating Officer on 25 August 2008

28) KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

No securities were granted as remuneration to the KMP during the financial year and no securities were acquired upon the exercise of options during the financial year.

Executives of the Company 2008	Balance at start of the year	Acquired during the year	Sold during the year	Balance at the end of the year
John Fanning	35,121	27,500	-	**62,621**
Deborah Kelly	41,398	11,904	-	**53,302**
Haydn Vella	8,000	7,000	-	**15,000**
Total shareholdings	**84,519**	**46,404**	**-**	**130,923**

(D) LOANS TO KEY MANAGEMENT PERSONNEL AND THEIR PERSONALLY RELATED ENTITIES FROM EIRCOM HOLDINGS LIMITED

In 2009 and 2008 there were no loans from ERC to Key Management Personnel.

(E) OTHER TRANSACTIONS WITH KMP

In 2009 and 2008 there were no transactions with Key Management Personnel.

29) REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(A) Audit Services				
PricewaterhouseCoopers Australian firm				
Audit and review of financial reports	713	678	713	647
Related practices of PricewaterhouseCoopers Australian firm				
Audit and review of financial reports	2,454	2,173	-	-
Non-PricewaterhouseCoopers audit firms for the audit or review of financial reports of any entity in the group	38	11	-	-
Total remuneration for audit services	**3,205**	**2,862**	**713**	**647**
(B) Non-Audit Services				
Audit-related services PricewaterhouseCoopers Australian firm				
Other audit related services	34	-	34	-
Audit-related services - related practices of PricewaterhouseCoopers Australian firm				
Audit of regulatory returns	2,129	2,096	-	-
Other audit related services	1,212	810	-	-
Total remuneration for audit related services	**3,375**	**2,906**	**34**	**-**
Taxation Services - related practices of PricewaterhouseCoopers Australian firm				
Tax compliance services	81	82	-	-
Total remuneration for audit taxation services	**81**	**82**	**-**	**-**
(C) Other Advisory Services				
Other Advisory Services - related practices of PricewaterhouseCoopers Australian firm				
Other advisory services	1,403	488	-	-
Total remuneration for other advisory services	**1,403**	**488**	**-**	**-**
	8,064	**6,338**	**747**	**647**

The Audit and Risk Management Committee has completed an evaluation of the overall effectiveness and independence of the auditor, PricewaterhouseCoopers. As part of this process, the external auditor has provided a written statement confirming their independence.

30) CONTINGENT ASSETS AND LIABILITIES

The Group had contingent liabilities at 30 June 2009 in respect of:

(A) CLAIMS BY SMART TELECOM

On 8 June 2005, Smart Telecom instituted proceedings against eircom in the Irish High Court, challenging the validity of a notice of termination issued by eircom to Smart Telecom terminating the interconnection agreement between the parties, and alleging that the notice of termination is an abuse by eircom of its dominant position in the telecommunications market. Smart Telecom further alleges that eircom is abusing its dominant position by refusing to provide network access in the form of LLU to Smart Telecom in the manner required by Smart Telecom. Smart Telecom is seeking relief in the form of declarations that the notice of termination is invalid and an abuse of dominance, that eircom is abusing its dominance by failing to meet Smart Telecom's LLU requirements and unspecified damages, including exemplary damages, for breach of contract and violation of the Competition Act 2002 and the EC Treaty.

eircom's directors believe that the notice of termination was validly issued in accordance with the interconnection agreement, and that eircom provides access to its network fully in accordance with its obligations, and intends to defend the proceedings vigorously. Smart Telecom submitted general particulars of their damages claim under the headings wasted expenditure ($2.6 million), delayed sales/lost customers ($6.2 million per annum), and capitalisation of losses ($68.4 million per annum). Even if Smart Telecom could establish liability on eircom's part under each of these headings, eircom's directors do not believe that these figures represent damages that would be properly recoverable from eircom. In October 2006, eircom terminated the interconnection agreement with Smart Telecom on grounds unconnected with the proceedings. In 2006 and 2007, eircom introduced the LLU functionality that is the subject of Smart's claim in proceedings.

(B) EIRCOM BUNDLED PRODUCTS - RIPOSTE

On 8 May 2009, ComReg issued enforcement proceedings in the High Court seeking orders to enforce its findings in an Opinion of Non-Compliance which was issued by ComReg on 2 April 2009 in relation to certain eircom bundled product offerings. The Opinion of Non-Compliance found that eircom had breached its obligation not to unreasonably bundle set out in ComReg Decision D07/61 ("the Compliance Proceedings"). Amongst the relief sought by ComReg in the Compliance Proceedings is the imposition of an unspecified fine on eircom. eircom is defending these Compliance Proceedings.
ComReg then issued a Direction to eircom of 9 April 2009 directing it to refrain from launching new eircom bundled products for a period of three months ("April Direction"). eircom issued an appeal in the High Court on 27 April 2009 against the Opinion of Non-Compliance and against the April Direction ("the Riposte Appeal"). ComReg adopted a new direction on 7 July 2009 which extends the April Direction for a further period of 9 months. eircom intends to appeal the Direction of 7 July ("July Direction"). Both the Riposte Appeal and the Compliance Proceedings have been admitted in the Commercial List of the High Court and pleadings have been exchanged. The Court has ordered that the appeal of the July Direction once lodged be listed for hearing with the other proceedings on the 13 October 2009.

(C) DEMERGER OF MAST BUSINESS

In connection with the demerger of eircom's mast business, and its subsequent acquisition by Towercom Holdings Limited on 18 September 2007, eircom gave warranties to Towercom Holdings Limited in respect of various matters. On 12 March 2009, Towercom Holdings Limited instituted a claim in the Commercial division of the High Court for $38 million (€22 million) in respect of alleged breaches of those warranties. A Statement of Claim was delivered on 25 March 2009. eircom's Defence was filed on 12 May 2009 denying liability. In order to understand the basis on which the claim is made, eircom has raised detailed queries in relation to the claim and requested voluntary discovery from Towercom on 9 July 2009. Voluntary Discovery is to be exchanged between the parties by 28 September 2009. The matter is due to be mentioned in the Commercial division of the High Court on the 5 October 2009.

On 29 May 2009, eircom received a further letter of claim from solicitors for Towercom in relation to the acquisition of the mast business. This claim is being investigated.

(D) PERFORMANCE BONDS

Performance bonds have been issued in respect of the Group's obligation to make payments to third parties in the event that the Group does not perform its contracted commitments under the terms of certain contracts. Group performance bonds at 30 June 2009 include $67.8 million (€47 million) in respect of undertakings to roll out a 3G network in Ireland, including achieving certain agreed milestones and $15.6 milion (€9 million) of other performance bonds and guarantees. No material losses are expected in respect of these obligations.

(E) ALLEGATIONS OF ANTI-COMPETITIVE PRACTICES

On 17 October 2002, ComReg determined that eircom were not in compliance with its obligations under the voice telephony regulations by providing telephone services to specific customers at prices which were not in accordance with the specific terms and conditions of eircom's discount schemes and published prices. No penalties were levied on eircom as a result of this determination. Ocean Communications Limited and ESAT Telecommunications Limited issued proceedings in the Irish High Court in December 2002 against eircom seeking damages including punitive damages resulting from the matters that were the subject of the ComReg determination. eircom submitted its defence on 26 January 2004. eircom intends to defend the proceedings vigorously. The plaintiffs submitted general particulars of their damages claim on 3 February 2004 under the headings loss of existing customers, loss of prospective customers, economic loss and loss of future profits. In those particulars, the plaintiffs have identified claims for loss of revenue on existing customers ($12.1 million), failure to meet the plaintiffs' alleged budgeted growth ($41.0 million) and loss of revenue on the plaintiffs' pricing ($8.2 million). The particulars also include further unquantified damages. The plenary summons and statement of claim of Ocean Communications Limited and ESAT Telecommunications Limited were amended, inter alia, in April 2005 to include a claim for alleged breach of certain constitutional rights. Even if the plaintiffs could establish a liability on eircom's part under each of these headings, eircom do not believe that these figures represent damages which would be properly recoverable from eircom.

30) CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

(F) OTHER

Hearing Loss claims

eircom has received letters before action in relation to potential hearing loss claims from one hundred and thirteen current and former employees, six of which have been withdrawn. These claims will have to progress through the compulsory Injuries Board (formerly the Personal Injuries Assessment Board) process. Thirty four of these claims have progressed to the stage where Court proceedings have issued. In eighteen of these cases, Court proceedings have been served on eircom and are progressing through the Court process and are at various stages in that process. eircom denies liability in all cases and intends to defend all claims.

USO obligations

eircom is obliged to meet certain legally binding quality of performance standards set by ComReg in Decision Notice D02/08. ComReg is due to publish information on eircom's performance in relation to its Universal Service Obligations for Q2 2009 and the period from 1 July 2008 to 30 June 2009 in September 2009. ComReg will then assess whether eircom has achieved and complied with performance targets including its legally binding targets in respect of fault rate occurrence and fault repair times. ComReg has indicated that it is concerned with eircom's performance to date however, we are not currently aware of nor is eircom subject to any direction, opinion or proceedings by ComReg in relation to non compliance with performance targets.

Other than as disclosed above, a number of other lawsuits, claims and disputes with third parties including regulatory authorities have arisen in the normal course of business. While any litigation has an element of uncertainty, the directors believe that there were no contingent liabilities which would have a material adverse effect on the group's financial position.

31) COMMITMENTS

Capital Commitments

Capital expenditure contracted for at reporting date but not recognised in liabilities is as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
No later than 1 year	139,349	118,606	-	-
Later than 1 year and not later than 5 years	3,757	38,676	-	-
	143,106	157,282	-	-

Lease Commitments

At 30 June 2009 the Group had annual commitments in respect of lease agreements in respect of properties, vehicles, plant and equipment, for which the payments extend over a number of years. The analysis of the Group's annual commitments is as follows:

Finance lease liabilities – minimum lease payments

	2009 Defeased $'000	2008 Defeased $'000	2009 Non-defeased $'000	2008 Non-defeased $'000
No later than 1 year	33,100	47,104	1,674	3,861
Later than 1 year and not later than 5 years	17,642	42,922	386	2,076
	50,742	**90,026**	**2,060**	**5,937**
Future finance charges	(7,099)	(9,831)	-	-
Present value of finance lease liabilities	**43,643**	**80,195**	**2,060**	**5,937**

The total contracted payments due on operating leases are as follows:

	Consolidated		Parent	
	2009	2008	2009	2008
	$'000	$'000	$'000	$'000
Payable:				
Within 1 year	83,773	88,894	-	-
Between 2 and 5 years	274,105	267,798	-	-
Over 5 years	463,952	488,597	-	-
	821,830	**845,289**	**-**	**-**

Included in the above contracted commitments are non-cancellable lease commitments to the value of $95.6 million (2008: $85.9 million). The non-cancellable lease expense for the coming year is expected to $7.0 million (2008: $6.6 million).

32) RELATED PARTY TRANSACTIONS

(A) ULTIMATE PARENT AND CONTROLLING ENTITY

The ultimate parent of the controlling entity within the Group is eircom Holdings Limited which is incorporated in Australia.

(B) SUBSIDIARIES

Interests in subsidiaries are set out in Note 33.

(C) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are disclosed in Note 28.

(D) TRANSACTIONS WITH RELATED PARTIES

The following transactions occurred with related parties:

Other related parties	Babcock & Brown Securities (Singapore) Pty Ltd		Babcock & Brown Capital Management Pty Ltd		Babcock & Brown Securities Pty Ltd		Babcock and Brown Australia Pty Ltd		Total	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Management fee	-	-	11,103	19,366	-	-	-	-	11,103	19,366
Management costs	-	-	299	-	-	-	-	-	299	-
Management Agreement Termination fee	-	-	-	-	-	-	5,000	-	5,000	-
Cost recovery	23	-	-	-	-	-		-	23	-
Other	-	-	-	-	-	-	14	-	14	-
Advisors fee	-	2,742	-	-	-	7,626	250	97	250	10,465
	23	2,742	11,402	19,366	-	7,626	5,264	97	16,689	29,831

(i) Management Fee

Under the terms of the Management Agreement which was terminated on 28 April 2009, the Management Company provided designated and non-designated services in return for a fee. The Management Company for the period was 1 July 2008 to 28 April 2009 was Babcock & Brown Capital Management Pty Ltd.

The term of the Management Agreement was 25 years, subject to early termination. The fee was calculated as follows:

Percentage of raised capital invested in authorised Investments	Annual Management Fee
Less than 30%	Nil. Subject to reimbursement of costs incurred by the Management Company.
At least 30% (at any time) but less than 50%	1% of the value of Net Assets shown in the most recent half yearly or annual audited Balance Sheet.
At least 50% (at any time) but less than 75%	1.5% of the value of Net Assets in the most recent half yearly or annual audited Balance Sheet.
At least 75% (at any time)	2% of the value of Net Assets in the most recent half yearly or annual audited Balance Sheet.

In addition to the management fee structure, the Management Agreement provides that the management fee must at least equal the amount of costs which the Management company has incurred in its role.

(ii) Performance Fee

The Management Company did not receive a Performance Fee in its tenure as Manager.

32) RELATED PARTY TRANSACTIONS (CONTINUED)

(iii) Advisor's Fee

In addition to the management fee paid to the Management Company, Babcock & Brown Securities Pty Ltd was appointed as the preferred advisor. Babcock & Brown Securities Pty Ltd is a controlled entity of Babcock & Brown Limited. The fees paid under the preferred advisor mandate were determined on the basis of the investment proposal presented to the Company by Babcock & Brown Securities Pty Ltd in conjunction with Babcock & Brown Australia Pty Ltd. This agreement was terminated on 28 April 2009.

The following transactions occurred with related parties:

(E) OTHER TRANSACTIONS WITH RELATED PARTIES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Dividend revenue				
Subsidiaries	-	-	1,469	7,042
Associates	-	-	-	-
Management fee revenue				
Subsidiaries	-	-	9,810	12,190
Tax Consolidation legislation				
Tax losses assumed from wholly-owned tax consolidated entities	-	-	-	1,152

The following balances are outstanding at the reporting date in relation to transactions with related parties:

(F) OUTSTANDING BALANCES WITH RELATED PARTIES

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current Receivables (investing activities)				
Subsidiaries	-	-	1,991	28,553
Current Receivables (tax funding agreement)				
Subsidiaries	-	-	-	746
Current Payables				
Subsidiaries	-	-	-	(720)
Current Payables (tax funding agreement)				
Subsidiaries	-	-	-	(1,152)

(G) LOANS TO FROM RELATED PARTIES

Loans to subsidiaries				
Beginning of the year	-	-	25,935	20,064
Loans advanced (repaid) (Note 11)	-	-	(23,944)	5,871
	-	**-**	**1,991**	**25,935**
Loans from subsidiaries				
Beginning of the year	-	-	(720)	(159,999)
Loans repaid/(made) (Note 21)	-	-	720	159,279
	-	**-**	**-**	**(720)**

Purchase consideration, fair value of assets acquired and goodwill are all EURO denominated. On consolidation to the ERC Group result into the Australian dollar presentation currency, translation differences are likely to occur to change this figure in Australian dollars.

33) SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following significant subsidiaries in accordance with Note 1(C):

Company	Country of Incorporation	Ownership Interest 30 June 2009	Ownership Interest 30 June 2008
BCL Communications Pty Limited	Australia	100%	100%
Babcock & Brown Capital Europe Pty Limited	Australia	-	100%
eircom Holdings Investments Pty Ltd	Australia	100%	100%
eircom Holdings Investments 2 Pty Ltd	Australia	100%	100%
Eamon Holdings Pty Ltd	Australia	100%	100%
B&B Ireland Group Ltd	Cayman Islands	87.8%	87.8%
ERC Ireland Equity SPC	Cayman Islands	57.1%	57.1%
ERC Ireland Preferred Equity Ltd	Cayman Islands	57.1%	57.1%
ERC Ireland Finance Ltd	Cayman Islands	57.1%	57.1%
ERC Ireland Holdings Ltd	Cayman Islands	57.1%	57.1%
ERC ESOT Services Ltd	Cayman Islands	57.1%	57.1%
BCM Luxembourg Holdings Ltd	Luxembourg	57.1%	57.1%
BCM Enterprises Ltd	Cayman Islands	57.1%	57.1%
Valentia Telecommunications	Ireland	57.1%	57.1%
eircom Limited	Ireland	57.1%	57.1%
Meteor Mobile Communications Limited	Ireland	57.1%	57.1%
Irish Telecommunications Investments Limited	Ireland	57.1%	57.1%
Osprey Property Limited	Ireland	57.1%	57.1%
eircom Phonewatch Limited	Ireland	57.1%	57.1%
eircom UK Limited	United Kingdom	57.1%	57.1%
Lan Communications Limited	Ireland	57.1%	57.1%
eircom Investments BV	Netherlands	57.1%	57.1%
Eircable Limited	Ireland	57.1%	57.1%
eircom Holdings Limited	Ireland	57.1%	57.1%
eircom (Infonet Ireland) Limited	Ireland	57.1%	57.1%
GoFree Limited	Ireland	57.1%	57.1%
GPM Classified Directory (Managing and Marketing) Ltd	Israel	100%	100%
Golden Pages Finance BV	Netherlands	100%	100%
Madas Ltd	Israel	100%	100%
ZAP Computing Ltd	Israel	100%	100%
Rest Limited	Israel	100%	100%
Pro Internet Ltd	Israel	100%	75.3%
Dunn & Bradstreet (Israel) Ltd	Israel	59.5%	55%
Mitchatnim Bareshet Ltd	Israel	100%	100%
Mitchatnim Catalog Ltd	Israel	100%	100%
Winhelp Ofran Limited Partnership	Israel	50.1%	50.1%
Net Health Vanture	Israel	51%	51%
Neto Search Engine Ltd	Israel	50.1%	50.1%
Gil Hazav Ltd	Israel	50%	50%

34) CASH FLOW FROM OPERATIONS

	Consolidated		Parent	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(Loss)/profit for the year after tax	**(1,842,434)**	**184,287**	**(565,189)**	**14,427**
Add back				
Income tax expense/(benefit)	(19,988)	52,880	1,465	6,031
Finance costs	737,101	564,724	-	-
Depreciation and amortisation	2,332,442	660,229	-	-
Adjusted profit/(loss) for the year after tax	**1,207,121**	**1,462,120**	**(563,724)**	**20,458**
Adjustments for				
Net investment gains	(4,570)	(131,300)	-	-
Net construction income	(10,958)	(61,040)	-	-
Dividends received	-	-	(1,469)	(7,042)
Interest revenue	(35,307)	(53,579)	(15,524)	(28,349)
Share of profits from associates	(2,470)	329	-	-
Impairment of investment in subsidiary		4,273	515,018	4,273
Non-cash restructuring and other provisions	119,349	-	-	-
Fair value adjustment – net (gains)/losses on derivatives	-	-	51,873	1,431
Net foreign currency (gains)/losses	-	-	43	(41)
Non cash share-based payments	12	563	-	(794)
Non cash retirement benefit charge/(credit)	(18,644)	(81,447)	-	-
Non cash management fee	(4,714)	(6,119)	-	-
Non cash land and building impairment	32,317	-	-	-
Non cash restructuring	49,815	-	-	-
Non cash provisions	63,998	-	-	-
Non cash revaluation of asset recognised at fair value through the profit and loss	15,525	-	-	-
Effects of exchange rate changes	785	566	-	-
Cash flows relating to construction contracts	226,467	(15,677)	-	-
Cash flows relating to restructuring and other provisions	(26,948)	(57,974)	-	-
Changes in assets and liabilities:				
Inventories	4,738	3,855	-	-
Decrease/(increase) in trade and other receivables	71,398	(214,172)	(863)	(6,102)
Increase/(decrease) in trade and other creditors	(112,611)	288,508	3,367	209
Net cash inflow/(outflow) from operations	**1,455,956**	**1,138,906**	**(11,279)**	**(15,957)**

35) EARNINGS PER SHARE

(A) EARNINGS PER SHARE

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

	Consolidated	
	2009 $'000	2008 $'000
(Losses)/profits used in calculating basic and diluted earnings per share	(1,484,646)	101,235
(i) Weighted average number of ordinary shares issued	**167,904,914**	**193,752,275**
Basic profits/(losses) per share	(884.2) cents	52.3 cents
Diluted profits/(losses) per share	(884.2) cents	52.3 cents
(ii) Actual number of ordinary shares issued at 30 June	**167,904,914**	**167,904,914**
Basic profits/(losses) per share	(884.2) cents	60.3 cents

(B) DIVIDENDS

The Directors have not proposed an interim or final dividend for the year ended 30 June 2009 (2008: nil).

36) SHARE-BASED PAYMENTS

NON-EXECUTIVE DIRECTOR SHARE OPTION PLAN

Options in the company were granted to the Non-Executive Directors of the Group as part of the IPO. The Option Plan which sets out the terms of the offer is designed to provide a long term incentive to Non-Executive Directors. The terms and conditions of the offer are as follows:

Grant Date	Expiry Date	Exercise Price $	Value Per Option Granted $ [1]	Date Exercisable
14 February 2005	14 February 2012	5.00	0.62 – 1.32	Any time after the Company's third year result, subject to the vesting conditions of the options
9 February 2006	14 February 2012	5.00	0.14 – 0.72	Any time after the Company's third year result, subject to the vesting conditions of the options
8 November 2006	14 February 2012	5.00	0.003 – 0.31	Any time after the Company's third year result, subject to the vesting conditions of the options

[1] Each of the three tranches was fair valued. In order to assess the economic benefits of the options, the 'Binomial Model' technique was used for the valuation. This methodology produces a share price distribution and can be used to value share-based payments with market hurdles and makes allowance for early exercise. The share price distribution is generated assuming at any point in time the share price can move up or down.

Options under the plan carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary Share and carries identical dividend and voting rights as other ordinary Shares.

Vesting conditions of the options:

The options issued to Non-Executive Directors were granted for nil consideration and vest as follows:

- Tranche 1: Options issued on 14 February 2005 as part of the IPO were forfeited during the 2007 year. Options outstanding nil.
- Tranche 2: 866,667 options (2008: 866,667) if the Total Shareholder Return ("TSR") since listing is an internal rate of return (IRR) of 10% or greater; plus
- Tranche 3: 1,133,334 options (2008: 1,133,334) if the TSR since listing is an IRR of 25% or greater.

Each tranche is conditional on the Non-Executive Director being employed by the Company on the date of exercise. Failure to maintain employment as a Non-Executive Director of the Company will result in the immediate lapse of any unvested options and the lapse after 90 days of his or her termination date of any vested but unexercised options.

The vesting conditions are linked to TSR to ensure Non-Executive Directors are only rewarded when Shareholder returns are commensurate. TSR is defined as the measure of Shareholder return on investment in ERC Shares for each measurement period, calculated in accordance with the formula set out in the Management Agreement. Set out below are summaries of the options granted under the plan:

Parent entity – 2009

Grant Date	Expiry Date	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number
14 February 2005[1]	14 February 2012	1,000,000	-	(1,000,000)	-
9 February 2006	14 February 2012	1,000,000	-	-	1,000,000
8 November 2006	14 February 2012	1,000,000	-	-	1,000,000
Total		**3,000,000**	**-**	**(1,000,000)**	**2,000,000**

[1] William Wavish resigned on 21 April 2008. Mr Wavish's options lapsed on 19 July 2008.

Parent entity – 2008

Grant Date	Expiry Date	Balance at start of the year Number	Granted during the year Number	Forfeited during the year Number	Balance at end of the year Number
14 February 2005[1]	14 February 2012	1,000,000	-	-	1,000,000
9 February 2006	14 February 2012	1,000,000	-	-	1,000,000
8 November 2006	14 February 2012	1,000,000	-	-	1,000,000
Total		**3,000,000**	**-**	**-**	**3,000,000**

[1] William Wavish resigned on 21 April 2008. Mr Wavish's options lapsed on 19 July 2008.

CHIEF EXECUTIVE OFFICER SHARE PERFORMANCE RIGHTS

Given that Shareholder approval for the issue of the Share Performance Rights to Mr Day was not obtained at the General Meeting of 27 April 2009, Mr Day will be entitled to receive a cash payment upon a vesting condition being satisfied equal to the value of the Share Performance Rights that would have otherwise been allocated to him upon a vesting condition being satisfied, determined by reference to the 30 day volume weighted average price (VWAP) of ERC shares as at the date the vesting condition is satisfied.

One of the following vesting conditions must be satisfied before the end of Mr Day's two year term (end of February 2011) for Mr Day to become entitled to such a cash payment:

- a person obtains a relevant interest in more than 50% of ERC Shares;
- a scheme of arrangement between the Company and Shareholders proposed in accordance with Part 5.1 of the Corporations Act is approved by Shareholders and results in a listing on a European exchange in relation to which Shareholders are entitled to participate or receive benefits;
- the sale by the Company of all or a substantial majority of its investment in eircom to a third party;
- the VWAP of Shares traded on ASX in any consecutive 20 business day period before the end of Mr Day's two-year term exceeds $5.00, less the aggregate amount of any capital return (including the $0.60 recently returned to Shareholders) or dividend paid on a Share between the date of Mr Day's Executive Service Agreement and the end of the term.

37) DEED OF CROSS GUARANTEE

eircom Holdings Limited, eircom Holdings Investments 2 Pty Limited and Eamon Holdings Pty Limited are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(A) CONSOLIDATED INCOME STATEMENT

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by eircom Holdings Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated income statement for the year ended 30 June 2009 of the Closed Group consisting of eircom Holdings Limited, eircom Holdings Investments 2 Pty Limited and Eamon Holdings Pty Limited.

	2009 $'000	2008 $'000
Income statement		
Revenue from continuing operations	21,992	42,654
Other income	4	-
Expenses from continuing operations (excluding finance costs)	(41,307)	(21,862)
Impairment expense	(509,130)	-
Finance costs	-	(2)
(Loss)/profit before income tax	**(528,441)**	**20,790**
Income tax expense	(3,439)	(4,135)
(Loss)/profit for the year	**(531,880)**	**16,655**

37) DEED OF CROSS GUARANTEE (CONTINUED)

(B) BALANCE SHEET

Set out below is a consolidated balance sheet as at 30 June 2009 of the Closed Group consisting of eircom Holdings Limited, eircom Holdings Investments 2 Pty Limited and Eamon Holdings Pty Limited.

	2009	2008
Current Assets		
Cash and cash equivalents	168,950	354,466
Trade and other receivables	6,755	125,225
Non-Current Assets held for sale	461	-
Derivative financial instruments	-	9,409
Other assets	313	419,449
Total current assets	**176,479**	**908,549**
Non-current Assets		
Deferred tax assets	228	6,224
Investments	419,449	-
Provision against investment	(352,747)	-
Total non-current assets	**66,930**	**6,224**
Total assets	**243,409**	**914,773**
Current Liabilities		
Trade and other payables	3,588	486
Derivative financial instruments	-	7,754
Current tax liabilities	(350)	2,422
Provisions	102	-
Total current liabilities	**3,340**	**12,733**
Non-current Liabilities		
Deferred tax liabilities	228	1,298
Derivative financial instruments	-	2,071
Provisions	17	-
Total non-current liabilities	**245**	**3,369**
Total Liabilities	**3,584**	**14,031**
Net assets	**239,824**	**900,742**
Equity		
Contributed equity	733,417	855,532
Reserves	(6,919)	28,555
Retained profits/(losses)	(486,674)	16,655
Total Equity	**239,824**	**900,742**

38) EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

On 31 July 2009, the Company convened a general meeting to consider a further return of capital to shareholders of $134.3 million ($0.80 per share). The meeting is to take place on 15 September 2009.

On 6 August 2009, the Company announced that it had received a definitive proposal from STT Communications Ltd (STTC) to buy the shares of ERC. Negotiations regarding this proposal are continuing.

On 8 July 2009, the Company announced that it had entered into a Restructure Agreement with the bondholders of its second major investment, G.P.M. Classified Directories (Management & Marketing) Ltd (GPM). The restructure will result in GPM ceasing to be a subsidiary. It is expected that the restructure will be completed towards the end of September 2009.

DIRECTORS' DECLARATION

In the directors' opinion;

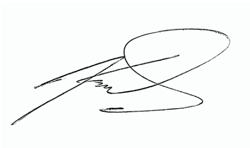
(A) the financial statements and notes set out on pages 26 to 85 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the Company's and the Consolidated Entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; 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; and

(C) at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group identified in Note 37 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 37.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer of the management company required by section 295A of the *Corporations Act 2001*.

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



Kerry Roxburgh
Chairman

Sydney, 27 August 2009

PRICEWATERHOUSECOOPERS

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201 Sussex Street
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SYDNEY NSW 1171
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Independent auditor's report to the members of eircom Holdings Limited

Report on the financial report

We have audited the accompanying financial report of eircom Holdings Limited (the company), 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 for both eircom Holdings Limited and the eircom Holdings Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

eircom HOLDINGS LIMITED

Full Year Results to 30 June 2009

27 August 2009

CONTENTS

1. Strategic Update
2. eircom Operational Update

STRATEGIC UPDATE

STRATEGIC MILESTONES		STATUS
1.	Capital Return of 60 cents per share	✓
2.	Management Internalisation	✓
3.	CEO and executive appointments at eircom Holdings (“ERC”)	✓
4.	Change of name to eircom Holdings Ltd	✓
5.	Appoint New CEO at eircom	✓
6.	Operational Change at eircom to deal with GFC	✓
7.	Second Capital Return of 80 cents per share	Shareholder vote on 15 September 2009
8.	Golden Pages Disposal Process	Restructure announced
9.	ERC Review Process	Continuing

eircom Holdings Limited

STRATEGIC UPDATE: DEVELOPMENTS IN 2009

eircom Holdings

- ERC returned $0.60 per share to shareholders in March 2009
- Shareholders voted to terminate the Management Agreement at a General Meeting on 27 April 2009
- Shareholders also voted in favour of name change to eircom Holdings Limited (ASX ticker ERC)
- ERC is now managed by small executive team directly employed by the Company and under direction of CEO, Andrew Day, responsible directly to the Board
- ERC is now able to determine it's own future direction and strategy without reference to the Manager
- On 31 July 2009, ERC convened a general meeting to consider a second capital return to shareholders of $0.80 per share, totalling $134.3 million. The general meeting will be held on 15 September 2009 in Sydney, Australia

eircom

- Responding to the GFC, on 12 May 2009 eircom reached an accord with the unions regarding Stage One of the company's restructuring programme, including;
  - a headcount reduction of 1,200 by June 2013;
  - a group wide freeze on base pay for two years until June 2013;
  - reductions in the order of 25% for certain staff allowances and no performance related bonus until Jun 2011; and
  - further cost saving measures being implemented at eircom, targeting costs savings of €130 million per annum by June 2010/2011

Golden Pages

- Covenant breach in respect of GPM Notes in March 2009, following a non-cash asset impairment charge by GPM, which reduced their equity position below required threshold
- On 8 July 2009, a Restructuring Agreement by the noteholders of GPM Classifieds and Directors (Management & Marketing) Ltd was signed. In the event of completion of the restructure, GPM will cease to be a subsidiary of ERC

UPDATE: STRATEGIC REVIEW PROCESS

- ERC conducted a formal strategic review process, inviting expressions of interest from third parties for a potential control transaction involving ERC
- As a result, on 6 August 2009 ERC announced that it had received a proposal from STT Communications Ltd (STTC) to acquire the entire issued share capital of ERC
- The proposal included terms and conditions that ERC was unable to satisfy or that the Board could not recommend to shareholders
- The ERC Board is continuing negotiations with STTC in an effort to improve the Proposal and its terms and conditions to reach an outcome that will enable the ERC Board to announce a recommended proposal
- The ERC Board can give no assurance that a recommended proposal will result from these negotiations.

CAPITAL MANAGEMENT INITIATIVE

Net Asset Position

- At 30 June 2009, Note 2 of ERC's Financial Report, shows total ERC corporate net assets of A$171 million (equivalent to ~A$1.02 per ERC share). This amount is after;
  - the recent capital return of A$100.7 million ($0.60 per share);
  - the net effect of the A$42 million cost of closing out ERC's derivative positions;
  - A$5 million one-off payment to terminate the outsourced Management Agreement; and
  - transaction costs (internalisation, Golden Pages disposal, ERC review) of approximately A$4 million to 30 June 2009

Investment Reserves

Event	Amount (A$ 'm)	Amount Per Share
Existing Net Assets at 30 June 2009	171.1	$1.02
Second capital return – 30 September 2009	(134.3)	$(0.80)
Available Net Assets*	36.8	$0.22

* **Available Net Assets** is calculated after the proposed capital return of $0.80 per share and does not take into account any costs after 30 June 2009, associated with the implementation of the strategic review process or those in connection with GPM.

DISPOSAL OF GOLDEN PAGES

Noteholders

- Noteholders granted a temporary waiver of the debt covenant breach to allow for a restructuring agreement to be negotiated

Disposal Process

- During the year, ERC reclassified its investment in Golden Pages as held for sale and incurred an impairment charge on reclassification of $129.8 million
- The carrying value as at 30 June 2009 is A$0.5 million
- On 8 July 2009, a Restructuring Agreement with the Noteholders in relation to the Golden Pages operating company, GPM Classified Directories (Management & Marketing) Ltd (“GPM”) became effective
- ERC can provide no assurance that the conditions of the Restructure Agreement will be satisfied or that the restructure will occur. ERC continues to assess a number of alternate courses of action in the event that the restructure does not complete

GOLDEN PAGES – CORPORATE DEBT STRUCTURE AT 30 JUNE 2009

Capital	Mar 08 (NIS'm)	Maturity	Repayment	Interest Rate (%)[1]
Bank Facility	159.0	Feb 2015[3]	Partial Bullet	WRI+1.85% (eff 5.80)[2]
Bank Overdraft	**5.0**			
Bank Debt	**164.0**			
Notes	353.0	Apr 2019	Amortising from 2010	5.65[4]
Total Debt	**511.2**			

All debt is non-recourse. All debt is held within the GPM Group
1 Fixed Rate Facilities and bond, CPI linked
2 Rates set using 3 month MAKAM (@ 3.95%) on 30 June 2009
3. Three year grace, 50% Bullet loan
4. Margin reduction of 0.65% on listing, potential 0.5% margin increase if rating decreased due to refinancing

CONTENTS

1. Strategic Update
2. eircom Operational Update

eircom – OPERATIONAL UPDATE

Accord with Unions

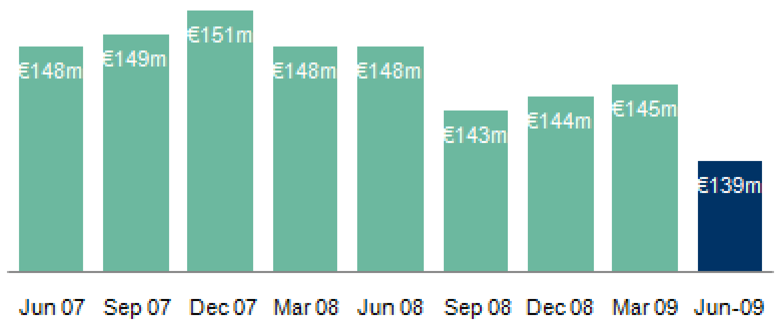
- eircom has reached an accord with the unions regarding Stage One of its restructuring programme, including
  - a headcount reduction of 1,200 by June 2011;
  - a group wide freeze on base pay for two years until June 2011;
  - reductions in the order of 25% for certain staff allowances;
  - no performance related bonus until June 2011; and
  - in addition further cost saving measures have commenced and eircom is seeking costs savings of €130 per annum by June 2010/2011

CEO Appointment

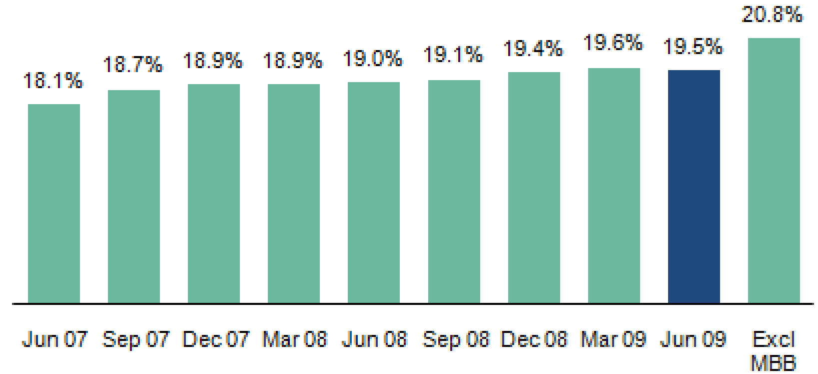
- ERC announced on 18 May 2009 the appointment of Paul Donovan as the new CEO of eircom
- This appointment came from the result of a global search over a number of months to find the most suitable candidate to lead eircom into its next phase
- The ERC Board are pleased with the appointment of Mr Donovan who has extensive experience in the telecommunications industry, where his most recent role was on the executive of the Vodafone Group in the UK.
- The ERC Board welcomes Mr Donovan and also express its appreciation to Mr Cathal Magee who was the Acting CEO of eircom over the past several months

eircom – INVESTMENT SCORECARD

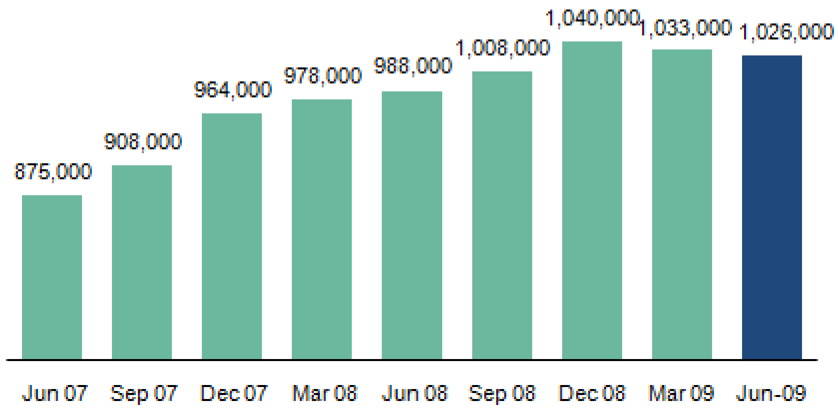
FIXED LINE – Actual EBITDA[1] per quarter
KPI: Maintain Fixed Line EBITDA



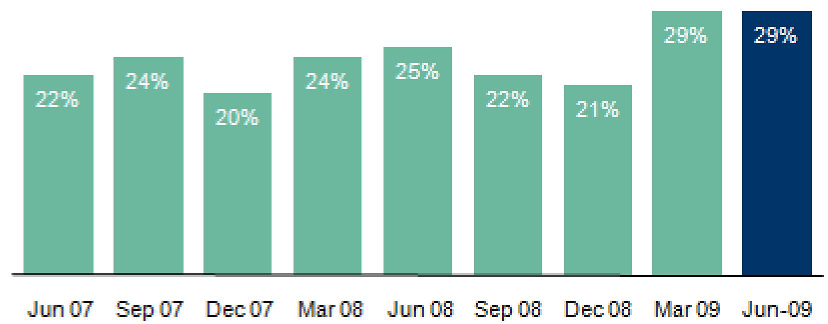
MOBILE – Actual Subscriber Market Share per quarter[2]
KPI: Attain historical European average 3rd player market share of 20%[4]



MOBILE – Actual Subscribers per quarter[2]
KPI: Grow mobile phone subscribers



MOBILE – Actual EBITDA Margin % per quarter[3]
KPI: Attain historical European average 3rd player EBITDA margin of 30%[4]

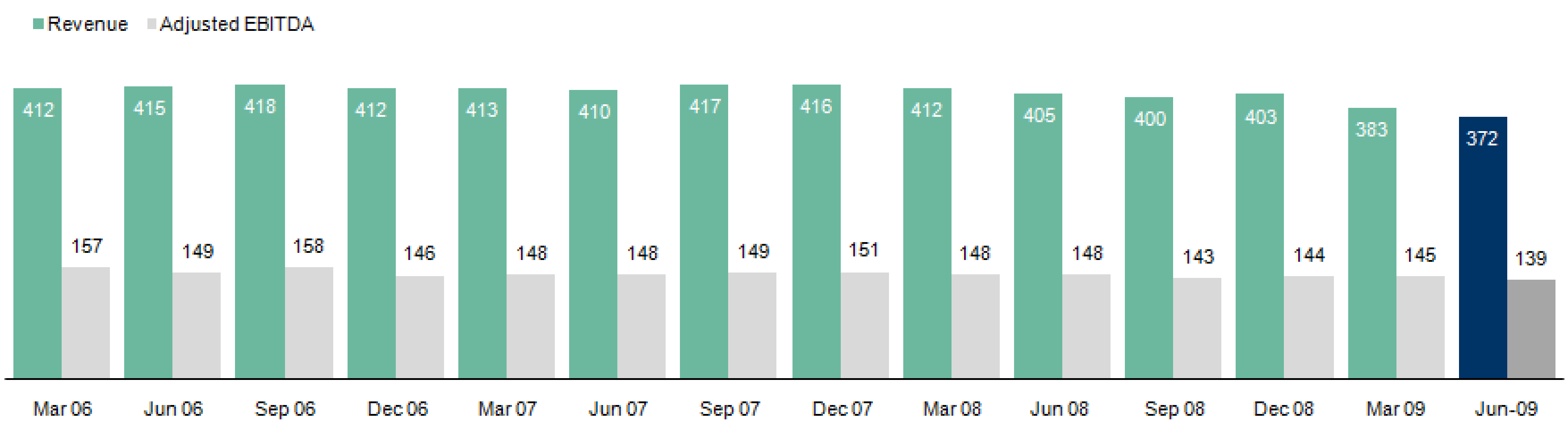


1 Adjusted EBITDA before non-cash pension charge, net construction income and profit on disposal of property and investments and management charges due to parent
2 Source: ComReg quarterly reports and company estimates (includes mobile broadband).
3 After management incentive costs
4 JP Morgan

eircom – FIXED LINE

- EBITDA (pre management fees) of €571million for the year, a 4% decrease on the prior year
- EBITDA[1] for the quarter totalled €139 million for the quarter, a 6% decrease on prior corresponding period due to deteriorating economic conditions resulting in reductions in PSTN lines, voice substitute fixed line to mobiles and deteriorated use of on-net substitutes (e.g. VoIP)
- Revenue of €1,558[2] million for the year, a 5% decrease on the prior year
- Revenue of €372[2] million for the quarter a 8% decrease on prior corresponding period attributed to pressure on voice and data traffic
- Win back for the quarter at 82% vs 65% for the quarter to 30 June 2009 due to increased competitor activity, particularly in broadband
- Increased focus on cost control across the group
- Investment in the fixed network continues with a focus on increasing capacity, broadband roll-out, demand-led growth and Next Generation Networks (NGN) developments

Quarterly revenue and Adjusted EBITDA[1]
(Mar 06 to Jun 09)



1 Adjusted EBITDA before non-cash pension charge, net construction income and profit on disposal of property and investments and management charges due to parent
2 Post fair value adjustments

eircom Holdings Limited

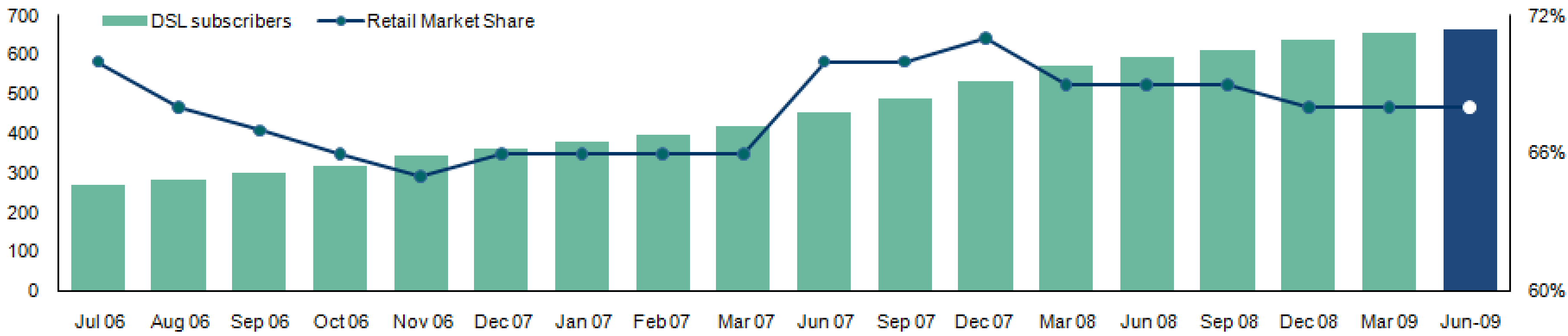
eircom – FIXED LINE (continued)

Broadband

- Broadband revenues of €44 million for the quarter, up 9% on the prior corresponding quarter off growing subscriber base
- Rate of growth continues to slow as a result of increased competition from mobile broadband
- Mobile broadband was launched during the quarter. Subscriber numbers are still low at approximately 9,300
- New bundled packages launched in October beginning to have positive impact in counteracting competitive pressures
- Broadband rollout – a total of almost 800exchange sites enabled as at 30 June 2009, connecting more than 1.4 million lines pre-qualifying for broadband
- 7,000 net DSL customer adds during the quarter resulting in 665,000 total subscribers at 30 June 2009 a 12% increase year on year as rollout of broadband continues
- eircom has a retail share of total DSL market (retail, bitstream, LLU) of 69% and total broadband market share (both Wholesale and Retail and excluding LLU) of 50%[1]

1 Including mobile broadband, company estimates

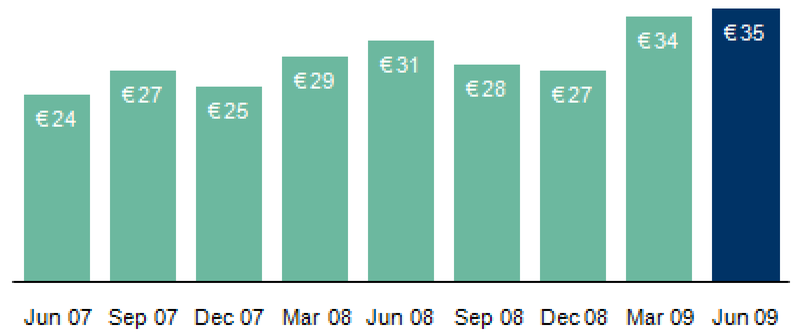
DSL Market Trends



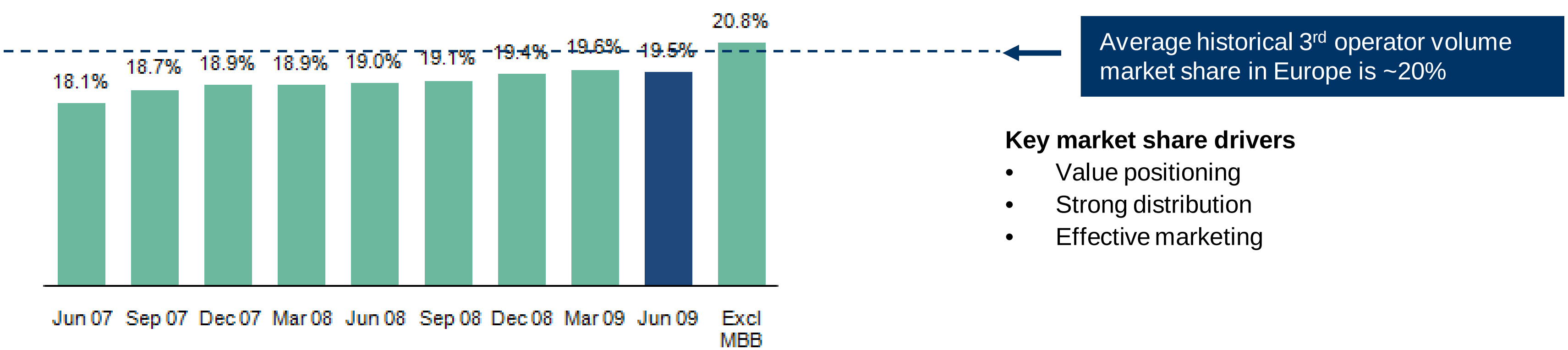
eircom – Mobile

- EBITDA of €35 million for the quarter, a €4m or 13% increase year on year.
- EBITDA of €124 million for the full year, an increase of 11% increase year on year.
- Revenue of €496 million for the year an increase of 3% on prior year largely due to:
  - Increase in Meteor market share to 19.5% (20.8% excluding MBB) from 19.0% in June 2008[2]
  - Increase in subscriber numbers year on year from 988,000 to 1,026,000
  - Increase in EBITDA margins from 25% as at June 2008 to 29% as at June 2009.

eircom/Meteor Mobile EBITDA



Meteor Subscriber Market Share



Key market share drivers

- Value positioning
- Strong distribution
- Effective marketing

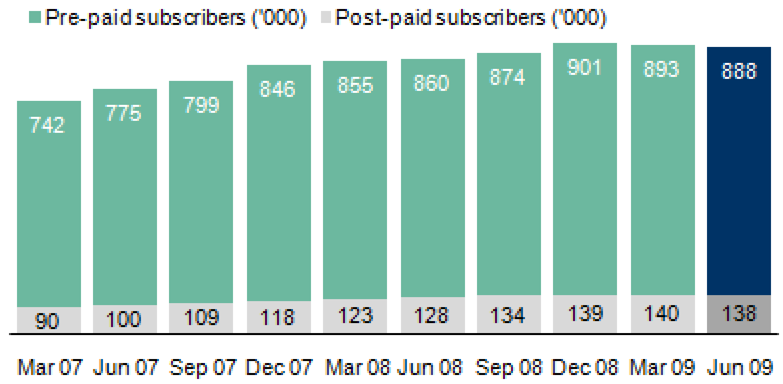
Source: ComReg and company estimates for market share. JPMorgan for average 3rd operator market share

eircom – Mobile (continued)

- EBITDA[1] margin for the June 2009 quarter 29% up from 25% in the June 2008 quarter due to a reduction in sales and marketing costs and the successful implementation of targeted cost savings
- 4% increase in the number of net subscribers from 988,000 to 1,026,000 year on year
  - post-paid increased to 13% of the total base (June 2008 – 12%)
- Blended monthly ARPU of €37.30 – a 6% decrease on June 2008 due to increased competition in the prepaid markets and increased promotions

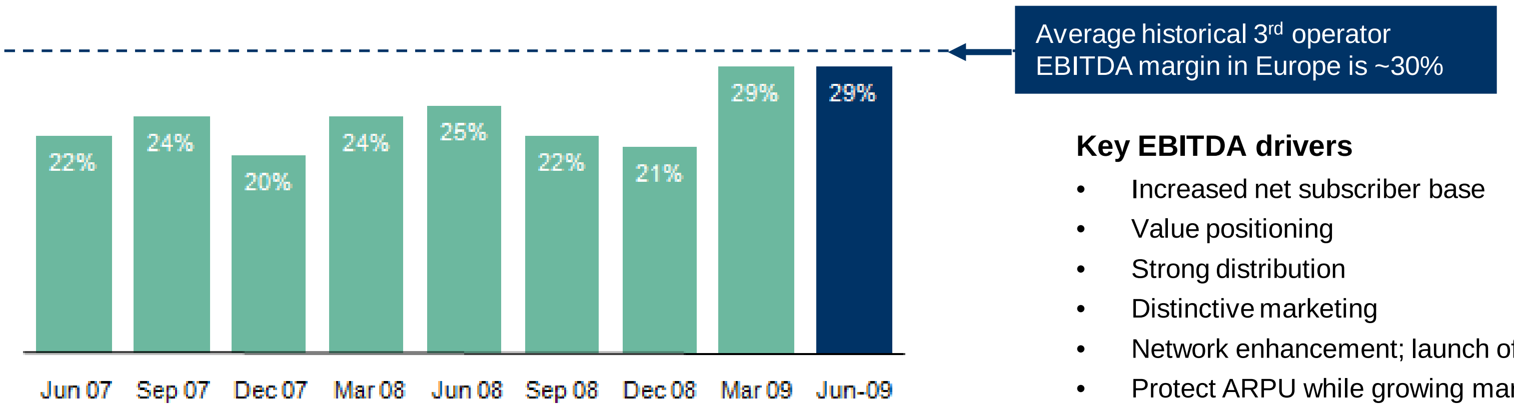
1 Post incentive costs

Mobile Subscribers



Source: eircom management results

Quarterly EBITDA Margin



Source: eircom management results, JPMorgan for average 3rd operator margin

Key EBITDA drivers

- Increased net subscriber base
- Value positioning
- Strong distribution
- Distinctive marketing
- Network enhancement; launch of 3G in March 2009
- Protect ARPU while growing market share (ARPU €37.30 v. €39.72 a year ago)
- New offerings launched, including Mobile broadband in March

eircom – KEY OPERATIONAL UPDATES

Mobile

3G	• On track for 53% 3G population coverage by September 2009. • Commercial launch of mobile broadband in March 2009 - ~9,000 customers at 30 June 2009. • Non-SMS data revenue reached c7% of total revenues by Jun 09
Broadband Rollout	• Extended broadband rollout plan underway – 800 sites enabled as at 30 June 2009, connecting more than 1.4 million lines pre-qualifying for broadband • Speed upgrades being rolled out – 61% of Retail customer base on 3Mb or over at Jun 09 • Broadband penetration in Ireland, including mobile broadband now estimated at ~31.4% (Company estimate)

Fixed Line

Voice	• Introduction of call set-up charges from 2 September 2008 • New bundled offerings
Tetra	• Network launched mid-June, c6,000 active users (Aug 09)
Digital Terrestrial Television (DTT)	• Part of One Vision consortium in discussion with the Irish Broadcasting Authority in relation to take up of DTT licences

Regulatory

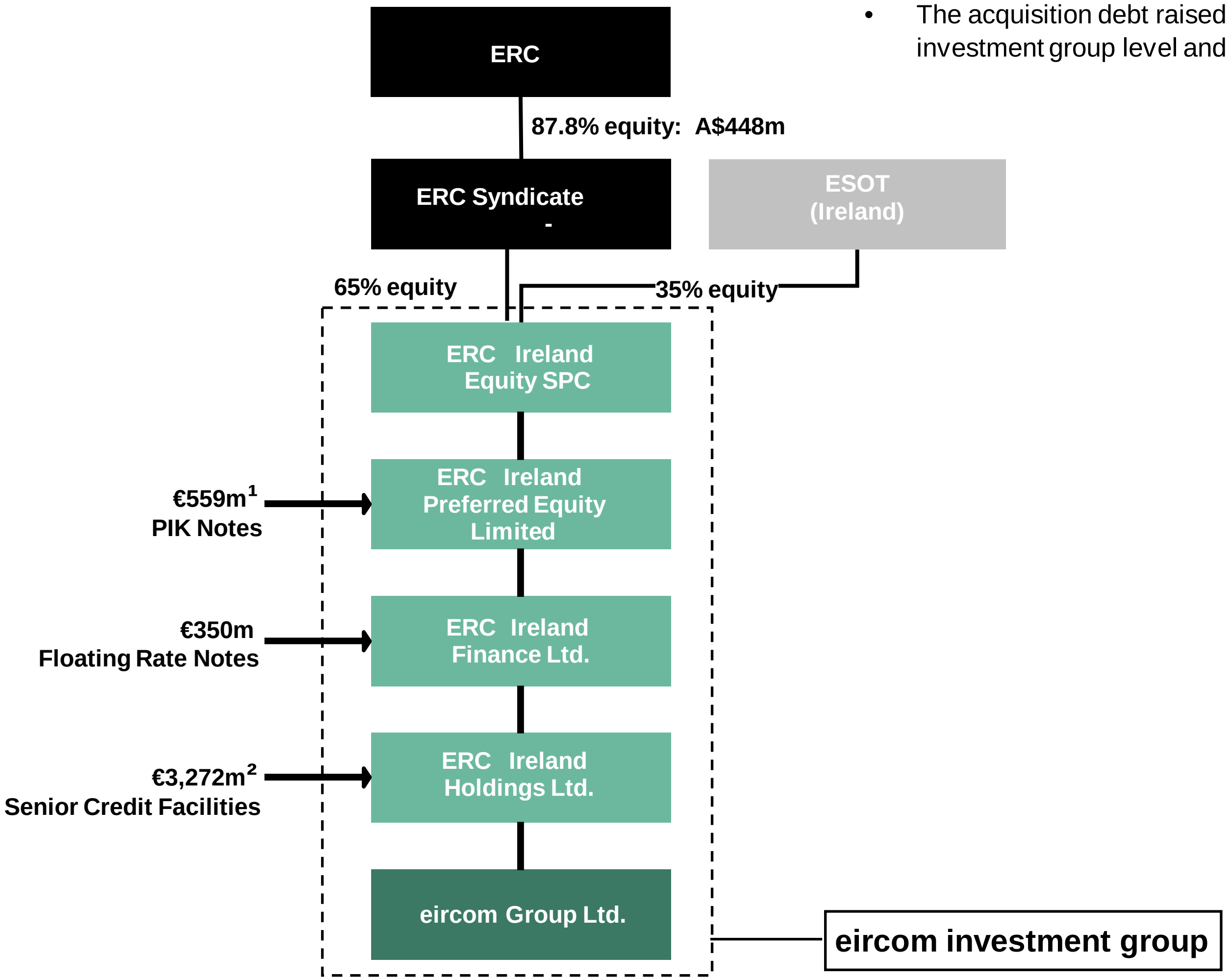
Line Shares	• ComReg issued decision to reduce monthly rental to €0.77 in August • Eircom currently studying this – option to appeal within 28 days
LLU	• ComReg is consulting on the current €16.43 price per month. ComReg issued a consultation on its draft direction on 8 May 2009 proposing a LLU price of €12.18 based on a subset of exchanges where unbundling is likely. This consultation is ongoing
Bundling	• ComReg has not concluded consultation on regulated products in bundles but recent ruling against eircom re Talktime broadband bundles. This is being contested by eircom in the Courts

eircom – KEY UPDATES

General

Restructuring Program	• New target headcount reduction of 1,200 by 2011 (including contractors)
Union Accord	• eircom have reached agreement with our Unions on a range of cost cutting measure, including a pay freeze, to achieve overall annual opex savings of ~€130 million by 2011
Goodwill Impairment	• €720 million recognised in ERCIF accounts at 31 December 2008 for goodwill impairment as a result of deteriorating economic conditions and pension deficit
Pension Fund	• IAS 19 pension deficit of €435 million at the end of June 2009

eircom - CORPORATE DEBT STRUCTURE



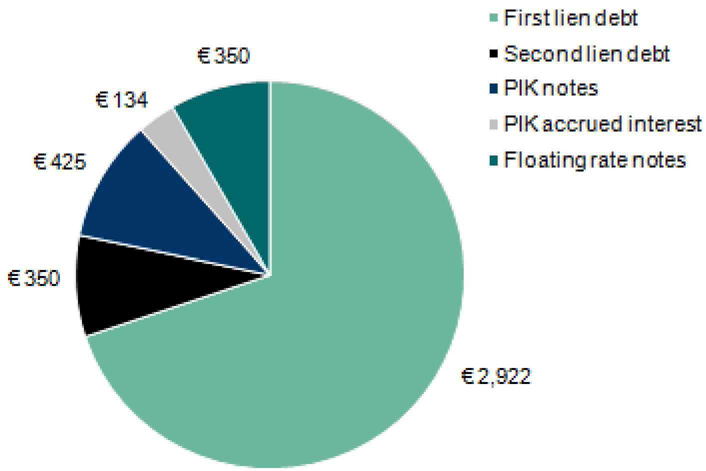
- The acquisition debt raised to acquire eircom is located at the investment group level and is non-recourse to ERC

[1] Includes capitalised interest

[2] A total of €228 million loan principal repaid to end of June 2009, including €111million repaid in November re annual cash sweep. Initial draw down €3,500 million.

eircom – CORPORATE DEBT PROFILE AT 30 JUN 2009

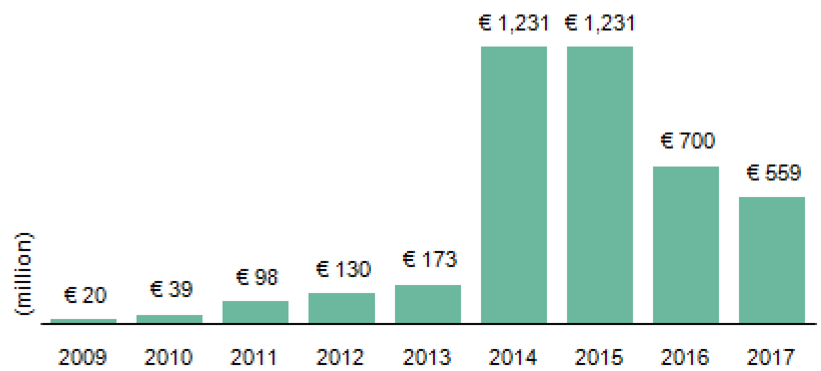
Facility



- All eircom debt is non-recourse to ERC
- Bulk of debt repayable from September 2014
- eircom's weighted average cost of cash pay debt is ~5.7%
- eircom continues to meet its quarterly covenants
- Internalisation does not cause a change of control in eircom debt

- eircom has total cash-pay debt of €3.62 billion
- PIK notes of €425 million with €134 million accrued interest issued on new notes
- eircom has cash of €335 million at 30 June2009 after payment of €111m in annual cash sweep in November and 6 monthly interest and scheduled debt payments in March
- eircom has a ~ €110 million revolving credit facility available to draw on
- Interest rate swaps in place for over €3 billion (~83% of total cash pay debt) with ~72% hedged for the next three years which reduces to ~60% in year four

Redemption Profile (incl principal amortisation)[1]



1 Worked on calendar year. Tranche A debt of €460 million is an amortising loan with a maturity date of 2013

Includes PIK debt value as at June 2009

eircom Holdings Limited

eircom - CORPORATE DEBT STRUCTURE AT 30 JUN 2009

Facility	Amount (EUR m)	Maturity	Repayment	Margin (bps)
Tranche A	460[1]	Sep 2013	Amortising	E + 175
Tranche B	1,231	Sep 2014	Bullet	E + 187.5
Tranche C	1,231	Sep 2015	Bullet	E + 212.5
Total First Lien Debt	**2,922**			
Second Lien Debt	350	Mar 2016	Bullet	E + 425
Total Senior Debt	**3,272**			
Floating Rate Notes	350	Sep 2016	Bullet	E + 500
Total Cash Pay Debt	**3,622**			
PIK Notes[2]	559	Feb 2017	Bullet	E + 700
Total Debt	**4,181**			
Cash	(335)			
Net Debt	**3,846**			

All debt is non-recourse.
1 Initial draw down €650 million
2 Includes capitalised interest on initial face value of €425 million

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