

THE TEN GROUP
PTY LIMITED

ANNUAL
REPORT

For the year ended
31 August 2006

ABN 50 057 564 708

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 31 AUGUST 2006
ABN 50 057 564 708

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This financial report covers both The Ten Group Pty Limited as an individual entity and the consolidated entity consisting of The Ten Group Pty Limited and its controlled entities.

The Ten Group Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

The Directors of The Ten Group Pty Limited present their report on the consolidated entity, consisting of The Ten Group Pty Limited ("the Company") and its controlled entities, for the year ended 31 August 2006.

Directors

The Directors that have been in office during the year and since year end are:

Mr NG Falloon, Chairman
 Mr LJ Asper (Alternate Mr NG Falloon^A)
 Mr JJ Cowin (Alternate Mr JB Studdy)
 Mr LS Freedman (Alternate Mr NG Falloon)
 Mr PV Gleeson (Alternate Mr NG Falloon)
 Mr PPA Harris (Alternate Mr PV Gleeson)
 Ms IYL Lee (Alternate Mr JB Studdy)
 Mr GH Levy (Alternate Mr PV Gleeson)
 Mr R Magid (Alternate Mr NG Falloon)
 Mr BM Sherman (Alternate Mr E Sherman^B)
 Mr TC Strike (Alternate Mr PD Viner)
 Mr PD Viner (Alternate Mr TC Strike^C)
 Mr J Studdy

^A: Mr PD Viner resigned as Alternate Director for Mr LJ Asper on 3 January 2006.
 Mr NG Falloon was appointed Alternate Director for Mr LJ Asper on 3 January 2006.

^B: Mr NG Falloon resigned as Alternate Director for Mr BM Sherman on 22 September 2005.
 Mr E Sherman was appointed Alternate Director for Mr BM Sherman on 22 September 2005.

^C: Mr TC Strike resigned as Alternate Director for Mr PD Viner on 28 November 2005.
 Mr JE Maguire was appointed Alternate Director for Mr PD Viner on 28 November 2005.

Mr JE Maguire resigned as Alternate Director for Mr PD Viner on 5 June 2006.
 Mr TC Strike was appointed Alternate Director for Mr PD Viner on 5 June 2006.

Principal Activities

The principal activities of The Ten Group Pty Limited and its controlled entities are the operation of commercial television licences TEN-10 (Sydney), ATV-10 (Melbourne), TVQ-10 (Brisbane), ADS-10 (Adelaide) and NEW-10 (Perth), and out-of-home advertising.

Result

The consolidated net profit after income tax for the year ended 31 August comprises:

	2006	2005
	\$'000	\$'000
Earnings before interest, tax, depreciation and amortisation	253,149	342,549
Depreciation	(20,596)	(20,571)
Amortisation	(1,125)	(914)
Earnings before interest and tax	231,428	321,064
Subordinated debenture interest	(84,462)	(98,578)
Net interest expense – other	(32,537)	(28,278)
Profit before income tax	114,429	194,208
Income tax expense	(59,198)	(89,386)
Profit after income tax	55,231	104,822
Loss attributable to minority interest	31	14
Profit attributable to members of the Company	55,262	104,836

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Dividend

Since the end of the previous financial year a fully franked dividend of 12.13 cents per share (\$57,324,561) was paid on 20 December 2005 and a fully franked dividend of 7.5 cents per share (\$35,443,875), including a special dividend of 3.5 cents per share was paid on 3 July 2006 in respect of the results for the period to 30 June 2006. Dividends in respect to the six months to 31 December 2006 will be paid during December 2006.

Review of Operations

The Directors were satisfied with the results of the consolidated entity for the year.

Significant Changes in the State Of Affairs

During the year, Eye Corp Pty Limited, a controlled entity, successfully tendered for the advertising rights of Changi Airport, Singapore and the airports operated by the Manchester Airport Group. Additionally, Eye Corp Pty Limited acquired Outdoor Plus Pty Limited, the additional 50% of the Eye Outdoor joint venture as well as the acquisition of the operations of Media Choice in the USA.

Other than the above, there were no significant changes in the state of affairs of the consolidated entity during the year.

Events Subsequent to Balance Date

On 20 September 2006, Eye Corp Pty Limited, a controlled entity, announced that it had acquired Ultimate Media Group Pty Limited which operates advertising concessions across 78 higher education campuses across Australia and New Zealand. The concession features 565 poster format panels. The acquisition is effective from 15 September 2006.

On 11 October 2006, Eye Corp Pty Limited announced that it had been appointed as the preferred media supplier for the Macerich Company for static and digital media offerings within 56 malls from their portfolio. The Macerich Company is one of the largest regional shopping groups in the United States. The Macerich contract takes effect on 1 January 2007.

Except for the matters referred to above, no other matters or circumstances have arisen since balance date that have significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2006 of the consolidated entity; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2006 of the consolidated entity.

Likely Developments

Information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

Insurance of Officers

During the financial year, Ten Network Holdings Limited, the controlling entity, arranged for directors and officers liability insurance cover for officers of the Company and related parties. An insurance premium was paid in relation thereto. The officers of the Company covered by this insurance includes all Directors and all employees in positions of responsibility.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' insurance contracts as such disclosure is prohibited under the terms of the contract.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

Indemnification of Officers

The officers, including the Directors and Alternate Directors, of The Ten Group Pty Limited and its controlled entities are covered by a deed of indemnity.

The principal provisions of the deed of indemnity are:

- (a) a grant of certain indemnities in favour of the officers of the Company and its controlled entities in respect of proceedings which may be instituted by or against these officers relating to the performance of their duties;
- (b) the provision of access to the Board papers of the Company and its controlled entities for Directors and Alternate Directors; and
- (c) an undertaking that a policy of directors and officers liability insurance is maintained by the Company in respect of the officer for a period of 10 years after the officer ceases to be an officer of the Company and its controlled entities.

Additionally separate deeds of indemnity cover other executives of controlled entities who have been requested to act as Directors on the boards of other companies in which the Group holds an interest.

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

Environmental Regulations


The consolidated entity is not subject to significant environmental regulations, with the exception that a controlled entity holds environmental licences for its manufacturing site in Victoria. The licenses require discharge to air and water to be below specified levels. These requirements arise under the Environmental Protection Authorities Regulations.

The Directors are not aware of any breaches to environmental regulations and are not aware of any infringement notices being issued.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/100 and accordingly the financial report has been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in Sydney on 18 October 2006 in accordance with a resolution of the Directors.



NG Falloon
Chairman

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
DIRECTORS' REPORT



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Auditors' Independence Declaration

As lead auditor for the audit of The Ten Group Pty Limited for the year ended 31 August 2006, 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 The Ten Group Pty Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'DS Wiadrowski'.

DS Wiadrowski
Partner
PricewaterhouseCoopers

Sydney
18 October 2006

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
INCOME STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Revenue from continuing operations	4	891,069	954,366	823,085	909,375
Television costs		(550,862)	(538,307)	(524,021)	(559,468)
Out-of-home costs		(110,407)	(96,430)	-	-
Finance costs	5	(118,732)	(128,027)	(85,692)	(99,795)
Share of net profit of associates and joint ventures accounted for using the equity method	31	3,361	2,606	-	-
Profit before income tax		114,429	194,208	213,372	250,112
Income tax expense	6(a)	(59,198)	(89,386)	(52,122)	(82,345)
Profit for the year		55,231	104,822	161,250	167,767
Loss attributable to minority interest		31	14	-	-
Profit attributable to members of the Company	28	55,262	104,836	161,250	167,767

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

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
BALANCE SHEETS
AS AT 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current Assets					
Cash and cash equivalents	7	21,618	13,918	766	1,470
Receivables	8	143,516	149,496	118,781	132,970
Program rights & inventories	9	150,414	135,955	-	-
Non-current assets classified as held for sale	10	3,605	-	-	-
Other	11	6,675	4,412	344	344
Total Current Assets		325,828	303,781	119,891	134,784
Non-Current Assets					
Receivables	12	686	1,646	444,561	375,176
Program rights & inventories	15	1,915	1,523	-	-
Investments accounted for using the equity method	13	12,927	10,418	-	-
Other financial assets	14	2,528	2,528	194,764	139,562
Property, plant and equipment	16	89,121	87,061	-	-
Derivative financial instruments	24	3,248	-	3,248	-
Deferred tax assets	6(d)	2,547	2,139	1,019	2,275
Intangible assets	17	426,955	415,169	-	-
Other	18	1,526	2,007	1,076	1,419
Total Non-Current Assets		541,453	522,491	644,668	518,432
Total Assets		867,281	826,272	764,559	653,216
Current Liabilities					
Payables	19	181,164	202,382	20,914	27,384
Interest-bearing liabilities	20	543	1,387	-	-
Current tax liabilities	6(c)	3,468	49,365	1,942	48,394
Provisions	21	19,798	22,705	-	-
Total Current Liabilities		204,973	275,839	22,856	75,778
Non-Current Liabilities					
Payables	22	22,763	25,935	-	58,065
Interest-bearing liabilities	23	524,308	436,227	354,308	255,629
Derivative financial instruments	24	58,935	-	58,935	-
Deferred tax liabilities	6(e)	43,317	34,511	-	-
Provisions	25	9,284	8,213	-	-
Total Non-Current Liabilities		658,607	504,886	413,243	313,694
Total Liabilities		863,580	780,725	436,099	389,472
Net Assets		3,701	45,547	328,460	263,744
Equity					
Contributed equity	26	80,939	80,377	80,939	80,377
Reserves	27	(4,991)	(132)	(4,328)	-
Retained earnings/(Accumulated losses)	28	(72,187)	(34,681)	251,849	183,367
Total parent entity interest		3,761	45,564	328,460	263,744
Minority interest in controlled entities		(60)	(17)	-	-
Total Equity		3,701	45,547	328,460	263,744

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

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total equity at the beginning of the financial year		45,547	37,824	263,744	192,947
Adjustment on adoption of AASB 132 and AASB 139, net of tax, to:					
Reserves	27	(4,328)	-	(4,328)	-
Exchange differences on translation of foreign operations		(531)	(133)	-	-
Net income recognised directly in equity		(4,859)	(133)	(4,328)	-
Profit for the year		55,231	104,822	161,250	167,767
Total recognised profit for the year before minority interest		50,372	104,689	156,922	167,767
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity		562	5,729	562	5,729
Dividends paid		(92,768)	(102,699)	(92,768)	(102,699)
Minority interest		(12)	4	-	-
Total equity at the end of the year		3,701	45,547	328,460	263,744
Total recognised profit for the year is attributable to:					
Members of The Ten Group Pty Limited		50,403	104,703	156,922	167,767
Minority interest		(31)	(14)	-	-
		50,372	104,689	156,922	167,767

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

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash and its equivalents					
Cash on hand	7	87	82	-	-
Cash at bank	7	21,531	13,836	766	1,470
At end of year		21,618	13,918	766	1,470
At beginning of year		13,918	17,842	1,470	1,886
Net cash inflows/(outflows) for the year		7,700	(3,924)	(704)	(416)
Represented by:					
Cash Flows from operating activities					
Receipts from customers		990,935	1,038,232	678,109	730,602
Payments to suppliers and employees		(777,796)	(702,303)	(9,245)	(8,981)
Dividends received		890	1,265	-	-
Debt collection fee received		-	-	132,784	147,166
Network fee paid		-	-	(571,595)	(559,062)
Interest received		1,723	996	26,380	26,376
Bank interest paid		(29,982)	(27,595)	-	-
Income tax received/(paid)					
Prior year refunds received		-	3,583	-	3,583
Current year payments		(96,537)	(50,391)	(96,522)	(48,665)
Net cash flows from operating activities	39	89,233	263,787	159,911	291,019
Cash Flows from investment activities					
Acquisition of property, plant and equipment		(24,351)	(16,902)	-	-
Proceeds on disposal of property, plant and equipment		21	9	-	-
Payment for purchase of controlled entities & operations net of cash acquired		(14,791)	(18,259)	-	-
Deferred consideration		(3,099)	-	-	-
Advances/(repayments) from/(to):					
Controlling entities		4,500	-	-	-
Controlled entities		-	-	(128,244)	(54,965)
Other		-	327	-	-
Net cash flows from investment activities		(37,720)	(34,825)	(128,244)	(54,965)
Cash Flows from financing activities					
Dividends paid					
Normal Dividend		(76,228)	(102,699)	(76,228)	(102,699)
Special Dividend		(16,540)	-	(16,540)	-
Debenture interest paid					
Normal Debenture interest		(73,392)	(139,498)	(73,392)	(139,498)
Special Debenture interest		(15,925)	-	(15,925)	-
Financing establishment costs paid		(848)	-	(848)	-
Proceeds from exercise of options		562	5,727	562	5,727
Proceeds from borrowings		405,000	345,000	150,000	-
Repayment of borrowings		(266,442)	(341,416)	-	-
Net cash flows from financing activities		(43,813)	(232,886)	(32,371)	(236,470)
Net cash inflows/(outflows) for the year		7,700	(3,924)	(704)	(416)

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

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for The Ten Group Pty Limited as an individual entity and the consolidated entity consisting of The Ten Group Pty Limited and its controlled entities.

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group (UIG) Interpretations and the Corporations Act 2001.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first The Ten Group Pty Limited financial statements to be prepared in accordance with AIFRS. The transition to AIFRS is accounted for in accordance with AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, with 1 September 2004 as the date of transition. An explanation of how the transition from Australian Generally Accepted Accounting Principles (AGAAP) to AIFRS has affected the consolidated entity's financial position and financial performance is discussed in Note 43.

When preparing The Ten Group Pty Limited financial statements for the year ended 31 August 2006, management has amended certain accounting policies applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The consolidated entity has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 September 2005.

Historical Cost Convention

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

Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity'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 3.

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by The Ten Group Pty Limited ("the Company") as detailed in Note 29 to the financial statements. The Ten Group Pty Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The financial statements of controlled entities are included from the date control commences until the date control ceases.

All intercompany transactions are eliminated in full. Minority interest in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Refer to Note 1(j) for the accounting treatment of investments in associates and joint ventures.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Income Tax

The income tax expense or revenue for the year is the tax payable on the current year'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 statements, and to unused tax losses.

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 substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and assessable 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 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 distributions from controlled entities and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Management have determined that deferred tax assets and deferred tax liabilities associated with indefinite life intangibles such as television licences should be measured based on the tax consequences that would follow from the recovery through ongoing use.

Tax Consolidation Legislation

The Ten Group Pty Limited, and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

The Ten Group Pty Limited, as the head entity in the tax consolidation group, recognises current tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current tax amounts arising in relation to its own transactions, events and balances. In addition to its own deferred tax amounts, The Ten Group Pty Limited also recognises the deferred tax assets arising from unused tax losses and unused tax credits assumed from the controlled entities in the tax consolidated group.

Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense/revenue.

In accordance with UIG 1052 *Tax Consolidation Accounting*, the controlled entities in the tax consolidated group account for their own deferred tax balances, except for those relating to tax losses.

(d) Trade Receivables and Revenue Recognition

Revenue is recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Revenue from core operating activities consists of advertising and media revenues and is recognised when the advertisement has been broadcast/displayed or the media service performed.

Advertising and media revenues are disclosed after making allowance for commissions paid to advertising agencies.

Other revenue includes bank interest earned.

All trade receivables are initially measured at fair value and subsequently at amortised cost, less provision for doubtful debts. The amount of the provision is recognised in the income statement.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Trade Receivables and Revenue Recognition (continued)

Trade receivables are due for settlement no more than 45 days from date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of receivables.

(e) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are 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 flows (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.

(f) Inventories

Television Program Rights

Television programs which are available for broadcast are recognised as an asset and stated at cost. Series programs are written off in full upon initial airing. Features are amortised over their estimated useful lives. Furthermore, the carrying values of television program rights are tested for impairment as set out in Note 1(e).

Television programs at balance date for which the telecast licence period has commenced or will commence in the succeeding year has been classified as a current asset.

Other Inventories

All other inventories are carried at the lower of cost and net realisable value, where net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(g) Non-Current Assets Held For Sale and Discontinued Operations

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost. Depreciation or amortisation is provided on property, plant and equipment other than freehold land so as to write off the cost of the assets progressively over their estimated remaining useful lives. The straight line method of calculating depreciation is applied. The cost of the freehold land and buildings is regularly assessed by Directors through impairment testing (Refer to Note 1(e)). Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

	2006	2005
Buildings	40 years	40 years
Plant and Equipment	2 to 10 years	2 to 10 years

The cost of leasehold improvements is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(i) Intangibles

Television Licences

Television licences are stated at cost less accumulated impairment losses. The television licences continue to be subject to Government legislation and regulation by the Australian Communications and Media Authority ("ACMA"). The Directors have no reason to believe that the licences will not be renewed in due course.

No amortisation is provided against these assets as the Directors believe that the television licences do not have a limited useful life. Instead, the Directors regularly assess the carrying value of licences through impairment testing (Note 1(e)) so as to ensure that they are not carried at a value greater than their recoverable amount.

Other Licences

Other licences represent capitalised outdoor site leases. These licences are being amortised on a straight line basis over the term of the site leases (approximately 20 to 40 years).

Goodwill

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

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of these cash-generating units represents the consolidated entity's investment in each business segment.

(j) Investments

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 3 *Business Combinations* only from 1 September 2004. AASB 3 will not apply retrospectively to business combinations before this date.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investments (continued)

Associates and Joint Ventures

Associates comprise those investments where the consolidated entity exercises 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 consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The consolidated entity's equity accounted share of the associates' and joint ventures' net profit or loss is recognised in the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves from the date significant influence commences until the date significant influence ceases.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses on transactions between the consolidated entity and its associates are eliminated to the extent of its interest in the associates.

Other Investments

Other investments are carried in the consolidated financial statements at the lower of cost and recoverable amount.

(k) 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 determined as the fair value of the assets given up at the date of acquisition plus costs directly attributable to the acquisition.

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 consolidated entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment by the acquiree to restructure the acquired entity and a reliable estimate of the amount of the liability can be made.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Leases

Operating leases

Operating leases are those leases under which the lessor effectively retains substantially all the risks and benefits incident to ownership of leased non-current assets.

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.

The present value of future payments for surplus leased space under non-cancellable operating leases is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased space will be of no future benefit to the company. Each lease payment is allocated between the liability and finance charge.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Finance leases

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

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

(m) Trade and Other Payables

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

(n) Employee Benefits

Wages and Salaries, Annual Leave and Long Service Leave

Liabilities for wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised, and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave expected to be settled more than 12 months from reporting date are recognised, 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. Consideration is given to expected future wage and salary levels including related on-costs, experience of employee departures and periods of service.

Retirement Benefit Obligations

Contributions to defined contribution funds are recognised as an expense as they become payable.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee Benefits (continued)

Equity-Based Compensation Benefits

Ten Executive Option Plan

In previous years, equity-based compensation benefits had been provided to employees via the Ten Executive Option Plan. Information relating to this scheme is set out in Note 35.

No accounting entries are made in relation to the Ten Executive Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the balance sheet as share capital. The amounts disclosed for remuneration of Directors and other Key Management Personnel in Note 32 included the assessed fair values of options at the date they were granted.

The amount disclosed for emoluments relating to options is the assessed fair value at grant date of options granted to Executives, allocated equally over the period from grant date to vesting date. Fair values at grant date have been independently determined by Mercer Financing and Risk Consulting using the Monte-Carlo 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 current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The Ten Executive Option Plan is currently suspended.

Performance Incentive Share Plan

The market value of shares to be purchased for employees for no cash consideration under the Performance Incentive Share Plan is recognised as a liability and as part of employee benefit costs when the employees become entitled to the shares.

(o) Intercompany Loans

Loans between members of the consolidated entity have no specified terms of repayment but where it is unlikely that such amounts will be repayable within 12 months the advances have been included, as appropriate, in non-current assets or liabilities.

(p) Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents includes cash management deposits at call net of outstanding deposits. Any bank overdrafts are shown within interest bearing liabilities in current liabilities on the balance sheet.

(q) Interest Bearing Loans and Borrowings

Interest bearing loans and borrowings are recognised at fair value and subsequently measured at amortised cost.

(r) Borrowing Costs

Borrowing costs are recognised as expenses in the period when incurred.

(s) Provisions

Provisions are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the financial year but not distributed at balance date.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Provisions (continued)

Deferred Settlement Costs

The consolidated entity has provided for payment of additional consideration in relation to the original acquisition of a lease. The timing and amount of payment are subject to the extension of the lease over the site.

Provision has also been made in relation to acquisitions during the period where further consideration is anticipated but dependent on future events.

Make good

A make good provision is recognised for the costs of restoration or removal in relation to property, plant and equipment and site leases where there is a legal or constructive obligation. The provision is initially recorded when a reliable estimate can be determined and discounted to present value. The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(t) Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of the consolidated entity are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Australian dollars, which is The Ten Group Pty Limited's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency at the date of the transaction. At balance date amounts payable and receivable are translated at rates of exchange current at that date. All realised and unrealised currency translation gains and losses are brought to account in the income statement.

Consolidated Companies

The result and financial position of the consolidated entities 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 the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

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

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(v) Derivatives

From 1 September 2004 to 31 August 2005

The consolidated entity has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 September 2005. The consolidated entity has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Adjustments on transition date: 1 September 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve. At the date of transition, changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

From 1 September 2005

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 method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

The consolidated entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity 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.

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Derivatives (continued)

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.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss.

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.

For further information concerning the adjustments on transition date reference should be made to:

- Derivative financial instruments – Note 24
- Reserves and retained earnings – Notes 27 and 28
- Explanation of transition to AIFRS – Note 43

(w) Segment Note

A business segment is 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 environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(x) Contributed Equity

Ordinary shares are classified as equity.

(y) Rounding of Amounts

The company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(z) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 August 2006 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below.

AASB 2005-1 Amendments to Australian Accounting Standard [AASB 130]: Cash Flow Hedge Accounting of Forecast Intra-Group Transactions

The consolidated entity has no forecast intra-group transactions qualifying as a hedged item. Application of this standard will not affect the consolidated entity's financial statements.

AASB 2005-4 Amendments to Australian Accounting Standards [AASB 139, AASB 132, AASB 1, AASB 1023 & AASB 1038]: Fair Value Option

AASB 2005-4 is applicable to annual periods beginning on or after 1 January 2006. The consolidated entity has not elected to adopt the amendments early. It will apply the revised standards in its 2007 financial statements. Implementation of these amendments is not expected to change the accounting for any of the consolidated entity's current arrangements.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New Accounting Standards and UIG Interpretations (continued)

UIG 4 Determining Whether an Asset Contains a Lease

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The consolidated entity has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements. The consolidated entity will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 September 2006. Implementation of UIG 4 is not expected to change the accounting for any of the consolidated entity's current arrangements.

AASB 2005-6 Amendments to Australian Accounting Standards [AASB 3]: Business Combinations Involving Entities Under Common Control

AASB 2005-6 is applicable to annual periods beginning on or after 1 January 2006. The consolidated entity has not undertaken any business combinations involving entities under common control. Implementation of these amendments is not expected to change the accounting for any of the consolidated entity's current arrangements.

AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]: Financial Guarantee Contracts

AASB 2005-9 is applicable to annual periods beginning on or after 1 January 2006. The consolidated entity has not elected to adopt the amendments early. It will apply the revised standards in its 2007 financial statements. Implementation of these amendments is not expected to change the accounting for any of the consolidated entity's current arrangements.

AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendment to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]: Consequential Amendments Arising From the Issue of AASB 7

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The consolidated entity has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the consolidated entity's financial instruments.

AASB 2006-1 Amendments to Australian Accounting Standards [AASB 121]: Clarification Regarding Monetary Items Forming Part of the Net Investment in a Foreign Operation

AASB 2006-1 is applicable to annual reporting periods ending on or after 31 December 2006. The consolidated entity has not elected to adopt the amendments early. Implementation of the standard is not expected to change the accounting for any of the consolidated entity's current arrangements.

UIG 8 Scope of AASB 2

UIG 8 is applicable to annual periods beginning on or after 1 May 2006. Implementation of UIG 8 is not expected to change the accounting for any of the consolidated entity's current arrangements.

UIG 9 Reassessment of Embedded Derivatives

UIG 9 is applicable to annual periods beginning on or after 1 June 2006. Implementation of UIG 9 is not expected to change the accounting for any of the consolidated entity's current arrangements.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New Accounting Standards and UIG Interpretations

AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]: Consequential Amendments Arising as a Result of the Release of AASB 7

AASB 2005-10 is applicable to annual periods beginning on or after 1 January 2007. The consolidated entity has not elected to adopt the amendments early. It will apply the revised standards in its 2007 financial statements. Implementation of these amendments is not expected to change the accounting for any of the consolidated entity's current arrangements.

2 FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks; market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The consolidated entity'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 consolidated entity. The consolidated entity uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures.

Risk management is carried out under a Treasury Policy approved by the Board of Directors. This Treasury Policy covers specific areas, such as mitigating foreign exchange, interest rate, credit and liquidity risks and the use of derivative financial instruments.

(a) Market Risk

Foreign Exchange Risk

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 consolidated entity has some exposure to foreign exchange risk arising from certain agreements being denominated in US dollars and also from a number of foreign operations.

To date, the foreign exchange exposure has not been significant and therefore hedging has not been required.

Fair Value Interest Rate Risk

Refer to (d) below.

(b) Credit Risk

The consolidated entity has no significant concentrations of credit risk. The consolidated entity has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the consolidated entity aims to maintain flexibility in funding by keeping committed credit lines available.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

2 FINANCIAL RISK MANAGEMENT (continued)

(d) Cash Flow and Fair Value Interest Rate Risk

As the consolidated entity has no significant interest bearing assets, the consolidated entity's income and operating cash flows are not materially exposed to changes in market interest rates.

The consolidated entity's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the consolidated entity to cash flow interest-rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest-rate risk. The consolidated entity's policy is to have no fixed rate borrowings. The fixed rate USD Private Placement entered into in March 2003 has been swapped to a floating rate via a cross currency interest rate swap. The consolidated entity has no other fixed rate debt.

The consolidated entity 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 consolidated entity raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the consolidated entity borrowed at fixed rates directly. Under the interest-rate swaps, the consolidated entity agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The consolidated entity 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.

Estimated Impairment of Intangible Assets With Indefinite Lives and Goodwill

The consolidated entity tests annually or when circumstances indicate impairment, whether indefinite lived intangibles and goodwill have suffered any impairment, in accordance with the accounting policy stated in Note 1(e). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 17 for details of these assumptions and the potential impact of changes to the assumptions.

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
4 REVENUE					
From continuing operations					
Sales revenue		889,336	953,195	663,921	735,833
Debt collection fees	36	-	-	132,784	147,166
Interest					
Controlled entity	36	-	-	26,380	26,376
Other		1,733	1,171	-	-
		<u>891,069</u>	<u>954,366</u>	<u>823,085</u>	<u>909,375</u>

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
5 EXPENSES					
(a) Profit before income tax includes the following specific items:					
Net loss on sale of property, plant and equipment		63	9	-	-
Net foreign exchange losses		34	6	-	-
Network fee paid to controlled entity	36	-	-	571,595	559,062
Net bad and doubtful debts, including movements in provision for doubtful debts		73	290	-	-
Employee benefits expense		117,112	111,132	-	-
Operating lease rentals					
Minimum lease payments		55,036	39,537	-	-
Contingent rental expense		20,524	27,802	-	-
Sub-leases		100	-	-	-
Finance costs					
Subordinated debentures	36	84,462	98,578	84,462	98,578
Related entities		-	-	-	871
Other		34,270	29,449	1,230	346
		<u>118,732</u>	<u>128,027</u>	<u>85,692</u>	<u>99,795</u>
Depreciation and amortisation of property, plant & equipment					
Plant and equipment		19,923	19,724	-	-
Leasehold improvements		384	373	-	-
Buildings		250	258	-	-
Leased plant and equipment		198	484	-	-
Amortisation					
Licences		712	712	-	-
Other intangibles		413	202	-	-
		<u>1,125</u>	<u>914</u>	<u>-</u>	<u>-</u>
Impairment loss/(gain)		-	-	(55,202)	(7,828)
6 INCOME TAX					
(a) Income tax expense					
Current income tax expense		51,142	89,298	43,736	82,464
Deferred income tax expense		8,196	88	8,604	(119)
Prior year adjustments		(140)	-	(218)	-
		<u>59,198</u>	<u>89,386</u>	<u>52,122</u>	<u>82,345</u>
Attributable to:					
Profit from continuing operations		<u>59,198</u>	<u>89,386</u>	<u>52,122</u>	<u>82,345</u>
Deferred income tax expense/(revenue) included in income tax expense comprises:					
(Increase)/decrease in deferred tax assets		(408)	207	-	-
(Decrease)/increase in deferred tax liabilities		8,604	(119)	8,604	(119)
		<u>8,196</u>	<u>88</u>	<u>8,604</u>	<u>(119)</u>

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Consolidated		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
6 INCOME TAX (continued)				
(b) Reconciliation of income tax to prima facie tax payable				
Profit before tax	114,429	194,208	213,372	250,112
Tax at the Australian tax rate 30%	34,329	58,262	64,012	75,034
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Debenture interest	25,339	29,573	25,339	29,573
Amortisation	338	275	-	-
Impairment (gains) / losses	-	-	(16,561)	(2,348)
Non-assessable income	(1,002)	(981)	(653)	(363)
Other	(159)	706	454	332
Prior year adjustments	(140)	1,551	(218)	1,457
Tax losses not recognised	493	-	-	-
Tax borne on behalf of entities in the tax consolidated group	-	-	(20,251)	(21,340)
	<u>59,198</u>	<u>89,386</u>	<u>52,122</u>	<u>82,345</u>
Profit before tax – tax consolidated group (excluding parent entity)			(46,095)	(49,866)
Tax at the Australian tax rate 30%			(13,829)	(14,960)
Non-assessable income			(143)	(618)
Amortisation			304	230
Other			(137)	754
Prior year adjustments			78	47
Tax consolidated group adjustments			<u>20,251</u>	<u>21,340</u>
Income tax expense – tax consolidated group (excluding parent entity)			6,524	6,793
	<u>59,198</u>	<u>89,386</u>	<u>58,646</u>	<u>89,138</u>
(c) Current tax liabilities/(receivables)				
Provision for income tax	3,468	49,365	1,942	48,394

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
6 INCOME TAX (continued)					
(d) Deferred tax assets					
The balance comprises temporary differences attributable to:					
Trade debtors		169	204	335	553
Property, plant and equipment		(143)	(183)	-	-
Capitalised costs		-	-	(154)	(110)
Trade creditors and accruals		447	711	838	1,411
Lease Liabilities		162	595	-	-
Provisions		1,912	812	-	-
Tax losses		-	-	-	421
Deferred tax assets		2,547	2,139	1,019	2,275
(e) Deferred tax liabilities					
The balance comprises temporary differences attributable to:					
Provision for doubtful debts and advertising credits		(1,455)	(2,042)	-	-
Interest receivable		15	12	-	-
Program rights		51,420	43,200	-	-
Property, plant and equipment		2,854	3,147	-	-
Capitalised costs		(370)	(442)	-	-
Trade creditors and accruals		(3,479)	(3,877)	-	-
Provisions		(5,668)	(5,066)	-	-
Tax losses		-	(421)	-	-
Net deferred tax liability		43,317	34,511	-	-
The potential deferred tax asset not brought to account is:					
Tax losses		493	521	-	-

The benefit for tax losses will only be obtained if:

- (i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

Tax consolidation legislation

The Ten Group Pty Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1(c).

	Note	Consolidated		The Company	
		2006	2005	2006	2005
		\$'000	\$'000	\$'000	\$'000
7 CASH					
Cash on hand		87	82	-	-
Cash at bank		21,531	13,836	766	1,470
		21,618	13,918	766	1,470

At 31 August 2006, cash at bank is bearing a floating interest rates of 5.73% (2005: 5.13%).

Cash on hand is non-interest bearing.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
8 RECEIVABLES (CURRENT)					
Trade debtors		147,352	155,426	119,899	134,812
Provisions for doubtful debts and advertising credits		(5,500)	(6,191)	(1,118)	(1,842)
		<u>141,852</u>	<u>149,235</u>	<u>118,781</u>	<u>132,970</u>
Loans and advances					
Associated companies	36	2	2	-	-
Other		1,662	259	-	-
		<u>1,664</u>	<u>261</u>	<u>-</u>	<u>-</u>
		<u>143,516</u>	<u>149,496</u>	<u>118,781</u>	<u>132,970</u>

All receivables are non-interest bearing.

9 PROGRAM RIGHTS & INVENTORIES (CURRENT)

Program rights		149,642	135,556	-	-
Other inventories		772	399	-	-
		<u>150,414</u>	<u>135,955</u>	<u>-</u>	<u>-</u>

10 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Land and buildings		3,605	-	-	-
		<u>3,605</u>	<u>-</u>	<u>-</u>	<u>-</u>

11 OTHER ASSETS (CURRENT)

Prepayments		5,874	3,519	-	-
Capitalised costs		344	344	344	344
Sundry debtors		457	549	-	-
		<u>6,675</u>	<u>4,412</u>	<u>344</u>	<u>344</u>

12 RECEIVABLES (NON-CURRENT)

Loans and advances					
Associated companies	36	686	686	-	-
Other		-	960	-	-
Controlled entities					
Debentures	36	-	-	80,800	80,800
Other	36	-	-	363,761	294,376
		<u>686</u>	<u>1,646</u>	<u>444,561</u>	<u>375,176</u>

All receivables are non-interest bearing.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
13 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Associates	31(a),36	12,927	10,367	-	-
Joint ventures	31(b),36	-	51	-	-
		<u>12,927</u>	<u>10,418</u>	<u>-</u>	<u>-</u>
14 OTHER FINANCIAL ASSETS					
Investments in listed securities					
Cost		-	-	5,679	5,679
Provision for diminution		-	-	(112)	(112)
		<u>-</u>	<u>-</u>	<u>5,567</u>	<u>5,567</u>
Investments in unlisted securities					
Controlled entities	36	-	-	189,197	133,995
Associated companies	36	2,119	2,119	-	-
Other		409	409	-	-
		<u>2,528</u>	<u>2,528</u>	<u>194,764</u>	<u>139,562</u>
15 PROGRAM RIGHTS & INVENTORIES (NON-CURRENT)					
Program rights		<u>1,915</u>	<u>1,523</u>	<u>-</u>	<u>-</u>
16 PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
At cost		<u>2,738</u>	<u>5,188</u>	<u>-</u>	<u>-</u>
Freehold buildings					
At cost		8,326	9,728	-	-
Accumulated depreciation		(2,520)	(2,517)	-	-
		<u>5,806</u>	<u>7,211</u>	<u>-</u>	<u>-</u>
Leasehold improvements					
At cost		8,120	7,140	-	-
Accumulated depreciation		(1,921)	(1,537)	-	-
		<u>6,199</u>	<u>5,603</u>	<u>-</u>	<u>-</u>
Plant and equipment					
At cost		236,108	209,303	-	-
Accumulated depreciation		(162,553)	(141,676)	-	-
		<u>73,555</u>	<u>67,627</u>	<u>-</u>	<u>-</u>
Leased plant and equipment					
At cost		6,405	6,817	-	-
Accumulated depreciation		(5,582)	(5,385)	-	-
		<u>823</u>	<u>1,432</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment					
Net book value		<u>89,121</u>	<u>87,061</u>	<u>-</u>	<u>-</u>

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
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	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
16					
PROPERTY, PLANT AND EQUIPMENT (continued)					
Reconciliations					
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:					
Freehold land					
Balance at beginning of year		5,188	5,188	-	-
Additions		-	-	-	-
Reclassified as held for sale		(2,450)	-	-	-
Balance at end of year		<u>2,738</u>	<u>5,188</u>	-	-
Freehold buildings					
Balance at beginning of year		7,211	7,469	-	-
Additions		-	-	-	-
Depreciation		(250)	(258)	-	-
Reclassified as held for sale		(1,155)	-	-	-
Balance at end of year		<u>5,806</u>	<u>7,211</u>	-	-
Leasehold improvements					
Balance at beginning of year		5,603	4,535	-	-
Additions		976	1,452	-	-
Foreign currency exchange differences		4	(11)	-	-
Depreciation		(384)	(373)	-	-
Balance at end of year		<u>6,199</u>	<u>5,603</u>	-	-
Plant and equipment					
Balance at beginning of year		67,627	66,071	-	-
Additions		26,974	21,379	-	-
Disposals		(912)	(30)	-	-
Foreign currency exchange differences		(211)	(69)	-	-
Depreciation		(19,923)	(19,724)	-	-
Balance at end of year		<u>73,555</u>	<u>67,627</u>	-	-
Leased plant and equipment					
Balance at beginning of year		1,432	1,916	-	-
Additions		4	-	-	-
Disposals		(415)	-	-	-
Depreciation		(198)	(484)	-	-
Balance at end of year		<u>823</u>	<u>1,432</u>	-	-

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
17 INTANGIBLE ASSETS					
Television licences - cost		326,422	326,422	-	-
Other licences – cost		26,500	26,500	-	-
Accumulated amortisation		(4,048)	(3,336)	-	-
		<u>22,452</u>	<u>23,164</u>	-	-
Opening net book amount		23,164	26,876	-	-
Additions		-	-	-	-
Amortisation		(712)	(712)	-	-
Other - reclassification		-	(3,000)	-	-
Closing net book amount		<u>22,452</u>	<u>23,164</u>	-	-
Goodwill – cost		70,781	61,342	-	-
Opening net book amount		61,342	47,976	-	-
Additions		9,439	10,366	-	-
Other - reclassification		-	3,000	-	-
Closing net book amount		<u>70,781</u>	<u>61,342</u>	-	-
Other identifiable intangibles – cost		7,915	4,443	-	-
Accumulated amortisation		(615)	(202)	-	-
		<u>7,300</u>	<u>4,241</u>	-	-
Opening net book amount		4,241	-	-	-
Additions		3,472	4,443	-	-
Amortisation		(413)	(202)	-	-
Closing net book amount		<u>7,300</u>	<u>4,241</u>	-	-
		<u>426,955</u>	<u>415,169</u>	-	-

(a) Impairment tests for Television licences

Television licences are not amortised as the Directors believe that the television licences do not have a limited useful life. Instead, television licences are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

Television licences are allocated to cash-generating units (CGUs) identified according to business segments.

Television licences allocation is as below:

Television Licences	Television CGU \$'000
2006	326,422
2005	326,422

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
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17 INTANGIBLE ASSETS

(a) Impairment tests for Television licences (continued)

The recoverable amount of a CGU is determined based on value-in-use calculations. The following describes each key assumption in performing these calculations:

Cash flow forecasts and growth rates

Cash flow forecasts are based on three year financial forecasts approved by management. Another two years are forecast based on estimated growth rates having regard to past performance and management's expectations for future performance. Cash flows beyond the five-year period are extrapolated using these same growth rates.

Discount rates

Discount rates used are the weighted average cost of capital (after tax) for the consolidated entity, risk adjusted as applicable.

Impact of Possible Changes in Key Assumptions

There are no reasonably possible changes to key assumptions which would cause the recoverable amount of the television licences included in the television CGU to be lower than carrying value.

(b) Impairment tests for Goodwill

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

Goodwill is allocated to cash-generating units (CGUs) identified according to business segments.

Goodwill allocation is as below:

Goodwill	Out-of-home CGU
	\$'000
2006	70,781
2005	61,342

The recoverable amount of a CGU is determined based on value-in-use calculations. The following describes each key assumption in performing these calculations:

Cash flow forecasts and growth rates

Cash flow forecasts are based on three year financial forecasts approved by management. Another two years are forecast based on estimated growth rates having regard to past performance and management's expectations for future performance. Cash flows beyond the five-year period are extrapolated using these same growth rates.

Discount rates

Discount rates used are the weighted average cost of capital (after tax) for the consolidated entity, risk adjusted as applicable.

Impact of Possible Changes in Key Assumptions

There are no reasonably possible changes to key assumptions which would cause the recoverable amount of the goodwill included in the out-of-home CGU to be lower than carrying value.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
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	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
18 OTHER ASSETS (NON-CURRENT)					
Capitalised costs		1,075	1,419	1,075	1,419
Other		451	588	1	-
		<u>1,526</u>	<u>2,007</u>	<u>1,076</u>	<u>1,419</u>

19 PAYABLES (CURRENT)

Trade creditors		160,311	178,453	7,790	9,406
Unearned income		1,976	1,636	-	-
Accrued interest					
Related entity	36	13,124	17,978	13,124	17,978
Other		5,753	4,315	-	-
		<u>181,164</u>	<u>202,382</u>	<u>20,914</u>	<u>27,384</u>

20 INTEREST-BEARING LIABILITIES (CURRENT)

Lease liabilities		543	1,387	-	-
		<u>543</u>	<u>1,387</u>	<u>-</u>	<u>-</u>

Details of the consolidated entity's exposure to interest rate risk are set out in Note 23.

21 PROVISIONS (CURRENT)

Employee entitlements		14,264	13,714	-	-
Surplus lease space		57	153	-	-
Deferred settlement		2,992	3,000	-	-
Onerous contracts		-	3,210	-	-
Other		2,485	2,628	-	-
		<u>19,798</u>	<u>22,705</u>	<u>-</u>	<u>-</u>

Movements in provisions

Movements in each class of provision during the financial year, other than employee entitlements are set out below:

	Surplus lease space \$'000	Deferred settlement \$'000	Onerous contracts \$'000	Other \$'000	Total \$'000
Consolidated – 2006					
Current					
Carrying amount at beginning of year	153	3,000	3,210	2,628	8,991
Additional provisions recognised	-	1,792	-	-	1,792
Payments	(96)	(1,800)	-	(143)	(2,039)
Unused amounts reassessed	-	-	(3,210)	-	(3,210)
Carrying amount at end of year	<u>57</u>	<u>2,992</u>	<u>-</u>	<u>2,485</u>	<u>5,534</u>

(i) Surplus lease space provision relates to the excess cost of surplus leased premises.

(ii) Deferred settlement provision relates to the contractual obligation for an outdoor advertising site and future consideration on acquisitions.

(iii) Provisions for onerous contracts relate to concession agreements where the future estimated costs exceed the future estimated revenues.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
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	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
22 PAYABLES (NON-CURRENT)					
Trade creditors		22,251	25,416	-	3
Loans					
Related entities		512	519	-	-
Other creditors and accruals					
Controlled entity	36	-	-	-	58,062
		<u>22,763</u>	<u>25,935</u>	<u>-</u>	<u>58,065</u>

23 INTEREST-BEARING LIABILITIES (NON-CURRENT)

Bank loan		170,000	180,000	-	-
USD senior unsecured notes		158,763	210,084	158,763	210,084
AUD senior unsecured notes		150,000	-	150,000	-
Debentures					
Subordinated	36	45,500	45,500	45,500	45,500
Convertible	36	45	45	45	45
Lease liabilities		-	598	-	-
		<u>524,308</u>	<u>436,227</u>	<u>354,308</u>	<u>255,629</u>

(a) Bank Loan

In December 2003, The Ten Group Pty Limited refinanced its \$700m Syndicated Loan Facility to expire December 2008.

(b) USD Senior Unsecured Notes

In 2003, The Ten Group Pty Limited raised funds through USD \$125m Senior Unsecured Notes (due March 2013) in the US Private Placement market. The notes have been fully swapped by the use of foreign currency and interest rate swaps into an AUD floating exposure of \$210.084m. This amount will be required to be repaid to noteholders upon maturity in March 2013. This has been offset by \$51.321m revaluation to fair value as required under AASB 139 *Financial Instruments: Recognition and Measurement*. The net carrying amount at 31 August 2006 is \$158.763m.

(c) AUD Senior Unsecured Notes

In December 2005, The Ten Group Pty Limited raised funds through AUD \$150m Senior Unsecured Notes. This amount will be required to be repaid to noteholders upon maturity in December 2015.

(d) Debentures

The 45,500,000 subordinated debentures of \$1 each fully paid have a base interest rate of 15%. The rate of interest paid will be adjusted to the rate of dividend distribution should the dividend distribution amount exceed the base rate in any year. An equivalent amount of interest is also payable in the same proportion to any additional dividend distributions that may be paid from retained earnings. The notes cannot be redeemed until 30 December 2042, except unless done in conjunction with the convertible debentures.

The 455,000 convertible debentures of \$1.01 each partly paid to 10 cents have a market linked interest rate and can each be converted to 1,000 ordinary shares at the option of the debenture holder in certain circumstances within 45 years from date of issue. The new ordinary shares would need to be subscribed for at the price of \$0.10 per share.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
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23 INTEREST-BEARING LIABILITIES (NON-CURRENT) (continued)

(e) Financing Arrangements

Unrestricted access was available at balance date to the following lines of credit:

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Bank guarantee facilities					
Total facilities		8,204	12,465	-	-
Used at balance date		8,204	2,576	-	-
Unused at balance date		-	9,889	-	-
Bank loan facilities					
Total facilities		700,000	700,000	-	-
Used at balance date		170,000	180,000	-	-
Unused at balance date		530,000	520,000	-	-

(f) Interest rate risk exposures

The following table sets out the consolidated entity's exposure to interest rate risk by maturity periods.

2006 – Consolidated	Fixed interest maturing in:							Total \$000
	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	
Bank overdrafts and loans	170,000	-	-	-	-	-	-	170,000
USD senior unsecured notes [^]	210,084	-	-	-	-	-	-	210,084
AUD senior unsecured notes	150,000	-	-	-	-	-	-	150,000
Subordinated debentures	45,500	-	-	-	-	-	-	45,500
Convertible debentures	45	-	-	-	-	-	-	45
Lease liabilities	-	543	-	-	-	-	-	543
Interest rate swaps *	(260,000)	35,000	85,000	30,000	20,000	60,000	30,000	-
	<u>315,629</u>	<u>35,543</u>	<u>85,000</u>	<u>30,000</u>	<u>20,000</u>	<u>60,000</u>	<u>30,000</u>	<u>576,172</u>
Weighted average interest rate	6.36%	5.85%	5.57%	5.86%	5.71%	5.75%	5.81%	

* Notional principal amounts

[^] Represents principal of notes. \$51.321m difference to carrying amount is revaluation in accordance with AASB 139.

2005 – Consolidated	Fixed interest maturing in:							Total \$000
	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	
Bank overdrafts and loans	180,000	-	-	-	-	-	-	180,000
USD senior unsecured notes	210,084	-	-	-	-	-	-	210,084
Subordinated debentures	45,500	-	-	-	-	-	-	45,500
Convertible debentures	45	-	-	-	-	-	-	45
Lease liabilities	-	1,387	598	-	-	-	-	1,985
Interest rate swaps *	(255,000)	25,000	35,000	85,000	30,000	20,000	60,000	-
	<u>180,629</u>	<u>26,387</u>	<u>35,598</u>	<u>85,000</u>	<u>30,000</u>	<u>20,000</u>	<u>60,000</u>	<u>437,614</u>
Weighted average interest rate	6.30%	5.95%	5.84%	5.55%	5.86%	5.75%	5.79%	

* Notional principal amounts

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23 INTEREST-BEARING LIABILITIES (NON-CURRENT) (continued)

(g) Fair value

The fair value of interest-bearing liabilities of the consolidated entity is their carrying value.

Consolidated		The Company	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

24 DERIVATIVE FINANCIAL INSTRUMENTS

Non-Current Assets

Cross-currency interest rate swap	3,248	-	3,248	-
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Non-Current Liabilities

Cross-currency interest rate swap	(58,935)	-	(58,935)	-
		-		-
	(55,687)	-	(55,687)	-

(a) Transition to AASB 132 and AASB 139

The consolidated entity has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 September 2005.

The effect of AASB 139 on the opening balance sheet as at 1 September 2005 (before minority interest calculations) was the recognition of \$54.5m non-current derivative financial liabilities and a \$7.7m reduction in equity. The difference of \$46.8m was a reduction in the USD Private Placement loan.

There was no impact for the parent entity.

(b) Instruments used by the consolidated entity

The consolidated entity is party to derivative financial instruments in the normal course of the business in order to hedge exposure to fluctuations in interest and foreign exchange rates (refer to Note 2 Financial Risk Management policies).

(i) Cross currency interest rate swap (CCIRS)

In 2003, The Ten Group Pty Limited raised funds through USD \$125m Senior Unsecured Notes (due March 2013) in the US Private Placement market. This has been fully swapped by the use of foreign currency and interest rate swaps into an AUD floating exposure of \$210.084m. This amount will be required to be repaid to note holders upon maturity in March 2013.

This debt is hedged by a combination of fair value and cash flow hedges. Interest rate swaps have been designated to this debt as cash flow hedges (see (ii) below). For the periods of time where interest rate swaps have not been designated, the debt is in a fair value hedge relationship where changes in the fair value of the debt are effectively offset by changes in the mark-to-market of the CCIRS.

As at balance date, the hedges in relation to the USD Senior Unsecured Notes have a net fair value of \$56.3m liability (\$2.6m hedge asset and \$58.9m hedge liability). The majority of this liability is offset by a \$51.3m revaluation of debt to fair value, the remainder being in an equity reserve representing the movement in the fair value of effective hedges. A loss of \$38k was recognised in relation to the ineffective portion.

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24 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(b) Instruments used by the consolidated entity

(ii) Interest rate swap contracts

The bank loan and unsecured notes of the consolidated entity bear an average variable interest rate of around 7%. It is policy to protect part of these loans from exposure to increasing interest rates. Accordingly, the consolidated entity 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 50% (2005: 65%) of loan principals outstanding. The fixed interest rates range between 5.04% and 5.95% (2005: 5.03% and 5.95%) and the variable rates are at BBSW, which at balance date was 6.1267% (2005: 5.6433%).

At 31 August 2006, the notional principal amounts and period of expiry of the interest rate swap contracts are as follows:

	2006	2005
	\$'000	\$'000
Less than 1 year	35,000	25,000
1 – 2 years	85,000	35,000
2 – 3 years	30,000	85,000
3 – 4 years	20,000	30,000
4 – 5 years	60,000	20,000
More than 5 years	30,000	60,000
	<u>260,000</u>	<u>255,000</u>

The contracts require settlement of net interest receivable or payable each 90 days.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the 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, if any, is recognised in the income statement immediately. In the year ended 31 August 2006 a loss of \$38k was transferred to the income statement, all of which result from cash flow hedges of the USD Private Placement in (i) above.

The hedges relating to the USD Senior Unsecured Notes are discussed in (i) above. Remaining cash flow hedges relate to floating rate debt and have a fair value of \$0.6m recognised as hedge assets.

(c) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises with amounts receivable from unrealised gains on derivative financial instruments. At balance date, the amounts receivable for the consolidated entity from interest rate swap contracts are immaterial.

(d) Interest rate risk exposures

Refer to Note 2(d) and Note 23 for the consolidated entity's exposure to interest rate risk on interest rate swaps.

Note	Consolidated		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

25 PROVISIONS (NON-CURRENT)

Employee entitlements	2,796	1,978	-	-
Make good provisions	6,488	6,235	-	-
	<u>9,284</u>	<u>8,213</u>	-	-

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
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	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
26 CONTRIBUTED EQUITY					
Paid up capital					
472,585,000 ordinary shares fully paid (2005: 472,335,000)		80,939	80,377	80,939	80,377

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

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

27 RESERVES

Foreign currency translation	(663)	(132)	-	-
Hedging reserve	(4,328)	-	(4,328)	-
	<u>(4,991)</u>	<u>(132)</u>	<u>(4,328)</u>	<u>-</u>

Movements during the year

Foreign currency translation				
Balance at beginning of year	(132)	-	-	-
Net translation adjustment	(531)	(132)	-	-
Balance at end of year	<u>(663)</u>	<u>(132)</u>	<u>-</u>	<u>-</u>

Hedging reserve

Balance at beginning of year	-	-	-	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	(4,328)	-	(4,328)	-
Balance at end of year	<u>(4,328)</u>	<u>-</u>	<u>(4,328)</u>	<u>-</u>

Nature and purpose of reserves

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in accounting policy Note 1(t). The reserve is recognised in profit and loss when the net investment is disposed of.

Hedging reserve

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in accounting policy Note 1(v). Amounts are recognised in profit and loss when the associated hedge transaction affects profit and loss.

	Consolidated		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
28 RETAINED EARNINGS/(ACCUMULATED LOSSES)				
Retained earnings/(accumulated losses) at beginning of year	(34,681)	(36,818)	183,367	118,299
Profit attributable to members of the Company	55,262	104,836	161,250	167,767
Dividends paid	(92,768)	(102,699)	(92,768)	(102,699)
Retained earnings/(accumulated losses) at end of year	<u>(72,187)</u>	<u>(34,681)</u>	<u>251,849</u>	<u>183,367</u>

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

29 CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

	Ordinary Share	
	Consolidated Entity Interest	
	2006	2005
	%	%
<i>Parent entity</i>		
The Ten Group Pty Limited		
<i>Controlled entities</i>		
Network Ten Pty Limited (i)	100	100
Network Ten (Sydney) Pty Limited (i)	100	100
Network Ten (Melbourne) Pty Limited (i)	100	100
Network Ten (Brisbane) Pty Limited (i)	100	100
Television & Telecasters (Properties) Pty Limited (i)	100	100
Network Ten Nominees Pty Limited	100	100
Caprice Pty Limited (i)	100	100
Network Ten (Adelaide) Pty Limited (i)	100	100
Chartreuse Pty Limited (i)	100	100
Network Ten (Perth) Pty Limited (i)	100	100
Ten Employee Share Plans Pty Limited	100	100
Ten Ventures Pty Limited	100	100
Ten Online Pty Limited	100	100
Eye Corp Pty Limited	100	100
Eye Corp Australia Pty Limited (ii)	100	100
Eye Fly Sydney Pty Limited (ii)	100	100
Eye Drive Melbourne Pty Limited	100	100
Eye Drive Sydney No. 2 Pty Limited (vi)	-	100
Pimington Pty Limited (vi)	-	100
Outdoor Plus Pty Limited	100	-
Olympic Murals 2000 Pty Limited (ii)	100	100
Australian Airport Advertising Pty Limited (ii)	100	100
Eye Corp Airport Advertising Pty Limited (ii)	100	100
Eye Drive Sydney Pty Limited (ii)	100	100
Eye Mall Media Pty Limited (ii)	100	100
Eye Shop Pty Limited	100	100
Eye Shop New Zealand Limited	100	100
Eye Outdoor Pty Limited (iv)	100	50
Eye Corp New Zealand Limited	100	100
Eye Corp Asia Limited	100	100
PT Netra Estha Muda (iii)	95	95
PT Agung Bali	70	70
PT Estha Yudha Ekatama (iii)	-	-
Eye Corp Media Pty Limited	100	100
Adval Holdings Pty Limited	100	100
Adval Australia Pty Limited	100	100
Eye Corp In-Store Pty Limited (v)	100	100

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006**

29 CONTROLLED ENTITIES (continued)

	Ordinary Share Consolidated Entity Interest	
	2006 %	2005 %
<i>Controlled entities (continued)</i>		
Eye Corp (USA) Inc	100	-
Eye Corp (NY) LLC	100	-
Eye Mall Media (USA) LLC	100	-
EyeOOH (Canada) Inc	100	-
Eye Corp (UK) Limited	100	-
Airport Advertising (UK) Limited	100	-
Eye Corp Asia Pte Limited	100	-
Eye Corp Pte Limited	100	-
Eye Corp Hong Kong Limited	100	-

All the above controlled entities are incorporated in Australia, except for the following:

- Eye Corp Asia Limited (incorporated in Mauritius on 12 April 2000);
- PT Netra Estha Muda, PT Agung Bali and PT Estha Yudha Ekatama (incorporated in Indonesia);
- Eye Corp New Zealand Limited (incorporated in New Zealand on 31 August 2004);
- Eye Shop New Zealand Limited (incorporated in New Zealand on 7 December 2000);
- Eye Corp (USA) Inc (incorporated in USA on 3 January 2006);
- Eye Corp (NY) LLC (incorporated in USA on 28 March 2006);
- Eye Mall Media (USA) LLC (incorporated in USA on 27 January 2006);
- EyeOOH (Canada) Inc (incorporated in Canada on 16 June 2006);
- Eye Corp (UK) Limited (incorporated in UK on 28 October 2005);
- Airport Advertising (UK) Limited (incorporated in UK on 1 November 2005);
- Eye Corp Asia Pte Limited (incorporated in Singapore on 2 September 2005);
- Eye Corp Pte Limited (incorporated in Singapore on 2 September 2005); and
- Eye Corp Hong Kong Limited (incorporated in Hong Kong on 28 September 2005).

(i) Refer to Note 40 for details of The Ten Group Pty Limited Deed of Cross Guarantee.

(ii) Refer to Note 40 for details of the Eye Corp Pty Limited Deed of Cross Guarantee.

(iii) Eye Corp Asia Limited has a 100% beneficial ownership interest in PT Estha Yudha Ekatama and PT Netra Estha Muda.

(iv) On 1 July 2006 Eye Corp Pty Limited acquired the remaining 50% of the Eye Outdoor Joint Venture. In prior years, this investment was equity accounted.

(v) Eye Corp In-Store Pty Limited was formerly named Eye Corp Asia Pty Limited.

(vi) Eye Drive Sydney No. 2 Pty Limited and Pimington Pty Limited were deregistered on 23 March 2006.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

30 BUSINESS COMBINATIONS

(a) Summary of acquisitions

In the period from 1 September 2005 to 31 August 2006 there have been three acquisitions:

- i. On 1 July 2006, Eye Corp Pty Limited, a controlled entity, acquired the remaining 50% of the issued capital of Eye Outdoor Pty Limited.
- ii. On 1 July 2006, Eye Corp Pty Limited acquired 100% of the issued capital of Outdoor Plus Pty Limited.
- iii. On 14 June 2006, Eye Corp Pty Limited acquired the operations of Media Choice LLC.

The acquired businesses contributed revenues of \$0.7m and net loss after tax of \$0.4m to the consolidated entity for the period from the acquisition dates to 31 August 2006. If the acquisitions had occurred on 1 September 2005, consolidated revenue and consolidated loss after tax for the year ended 31 August 2006 would have been \$2.8m and \$1.0m respectively.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$'000
Purchase consideration (refer to (b) below):	
Cash paid	13,667
Deferred consideration	2,481
Direct costs relating to the acquisition	1,124
Total purchase consideration	17,272
Fair value of net identifiable assets acquired (refer to (c) below)	4,111
	13,161
Made up of:	
Goodwill	9,613
Intangibles	3,548
	13,161

(b) Purchase consideration

	Consolidated		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	17,272	21,239	-	-
Cash acquired	-	1,436	-	-
	17,272	19,803	-	-
Deferred consideration	(2,481)	(1,544)	-	-
Outflow of cash	14,791	18,259	-	-

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

30 BUSINESS COMBINATIONS (continued)

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount \$'000	Fair value \$'000
Property, plant and equipment	4,102	4,102
Receivables	65	65
Other liabilities	(56)	(56)
Net assets	<u>4,111</u>	<u>4,111</u>
Minority interest		-
Net identifiable assets acquired		<u>4,111</u>

At the date of this financial report, no additional consideration is anticipated. If it becomes probable that additional consideration will be payable it will be brought to account as a component of intangibles or goodwill arising on acquisition when the amount can be reliably measured.

The goodwill is attributable to the profitability of the acquired business and synergies expected to arise after the companies' acquisition. No acquisition provisions were created. The fair value of net assets acquired were assessed and are equal to the carrying values of net assets.

31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Share of profits accounted for using the equity method included in the income statement					
Associates	31(a)	3,312	2,546	-	-
Joint ventures	31(b)	49	60	-	-
		<u>3,361</u>	<u>2,606</u>	-	-

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(a) Investments in equity accounted associates

Name	Principal Activity/ Note	Balance Date	Ownership interest		Consolidated Amount of investment		The Company Amount of investment	
			2006 %	2005 %	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Held by Eye Corp Asia Limited								
Big Tree Outdoor Sdn Bhd	(i)	31 Dec	30.0	30.0	3,310	2,931	-	-
Held by The Ten Group Pty Limited								
Global Television Limited	(ii)	30 Jun	24.3	24.3	9,617	7,436	-	-
					<u>12,927</u>	<u>10,367</u>	-	-

The principal activities of the associated companies are:

- (i) Outdoor advertising
- (ii) Television, studio, and field production services.

Big Tree Outdoor Sdn Bhd is incorporated in Malaysia.

Global Television Limited is incorporated in Australia.

	Consolidated		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Movements in carrying amounts				
Carrying amount at the beginning of the financial year	10,367	9,312	-	-
Investments in associates acquired during the year	-	-	-	-
Share of profits after income tax	3,312	2,546	-	-
Dividends received/receivable	(855)	(1,235)	-	-
Share of decrement in associates' reserve	103	(256)	-	-
Carrying amount at the end of the financial year	<u>12,927</u>	<u>10,367</u>	-	-
Share of associates' profits				
Profit before income tax	3,804	3,027	-	-
Income tax expense	(492)	(481)	-	-
Profit after income tax	<u>3,312</u>	<u>2,546</u>	-	-
Summarised financial information of associates				
Consolidated entity's share of:				
Assets	17,592	16,193	-	-
Liabilities	7,435	8,813	-	-
Revenues	19,871	17,635	-	-
Share of associates' expenditure commitments (some as at 30 June)				
Capital commitments	835	142	-	-
Lease commitments	6,293	9,323	-	-
	<u>7,128</u>	<u>9,465</u>	-	-

At 31 August 2006, the share price of Global Television Limited was \$0.76.

There were no contingencies in respect of associates at the end of the financial year.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

31 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Investments in joint venture companies

Name	Balance Date	Ownership interest		Consolidated Amount of investment		The Company Amount of investment	
		2006 %	2005 %	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Held by Eye Corp Pty Limited							
Eye Outdoor Pty Limited*	31 Aug	100.0	50.0	-	51	-	-
				-	51	-	-

The principal activity of joint venture is outdoor advertising. Eye Outdoor Pty Limited was incorporated in Australia.

* On 1 July 2006, Eye Corp Pty Limited acquired the remaining 50% of the Eye Outdoor Joint Venture. This investment is now consolidated under AASB 3. Refer Notes 29 and 30.

	Consolidated		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Share of joint ventures' revenue, expenses and results				
Revenues	166	218	-	-
Expenses	(96)	(137)	-	-
Profit before income tax	70	81	-	-
Income tax expense	(21)	(21)	-	-
Profit after income tax	49	60	-	-

Financial position of joint ventures

The consolidated entity's share of aggregate assets and liabilities of associates is as follows:

Current assets	-	63	-	-
Non-current assets	-	29	-	-
Total assets	-	92	-	-
Current liabilities	-	(41)	-	-
Non-current liabilities	-	-	-	-
Total liabilities	-	(41)	-	-
Net assets	-	51	-	-
Share of joint ventures' expenditure commitments				
Capital commitments	-	-	-	-
Lease commitments	-	182	-	-
	-	182	-	-

There were no contingencies in respect of joint ventures at the end of the financial year.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006**

32 KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

The Directors that have been in office during the year and since year end are:

Mr NG Falloon, Chairman
Mr LJ Asper (Alternate Mr NG Falloon^A)
Mr JJ Cowin (Alternate Mr JB Studdy)
Mr LS Freedman (Alternate Mr NG Falloon)
Mr PV Gleeson (Alternate Mr NG Falloon)
Mr PPA Harris (Alternate Mr PV Gleeson)
Ms IYL Lee (Alternate Mr JB Studdy)
Mr GH Levy (Alternate Mr PV Gleeson)
Mr R Magid (Alternate Mr NG Falloon)
Mr BM Sherman (Alternate Mr E Sherman^B)
Mr TC Strike (Alternate Mr PD Viner)
Mr PD Viner (Alternate Mr TC Strike^C)
Mr J Studdy

^A: Mr PD Viner resigned as Alternate Director for Mr LJ Asper on 3 January 2006.
Mr NG Falloon was appointed Alternate Director for Mr LJ Asper on 3 January 2006.

^B: Mr NG Falloon resigned as Alternate Director for Mr BM Sherman on 22 September 2005.
Mr E Sherman was appointed Alternate Director for Mr BM Sherman on 22 September 2005.

^C: Mr TC Strike resigned as Alternate Director for Mr PD Viner on 28 November 2005.
Mr JE Maguire was appointed Alternate Director for Mr PD Viner on 28 November 2005.
Mr JE Maguire resigned as Alternate Director for Mr PD Viner on 5 June 2006.
Mr TC Strike was appointed Alternate Director for Mr PD Viner on 5 June 2006.

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, during the financial year:

Name	Position	Employer
Mr G Blackley	Chief Executive Officer – Television	Network Ten Pty Limited
Mr D Mott	Chief Programming Officer	Network Ten Pty Limited
Mr G Thorley	Chief Executive Officer – Eye Corp	Eye Corp Pty Limited
Mr K Kingston	Chief Operating Officer	Network Ten Pty Limited
Mr J Kelly	Chief Financial Officer	Network Ten Pty Limited
Mr S Partington	Group General Counsel & Company Secretary	Network Ten Pty Limited

All of the above persons were also key management persons during the year ended 31 August 2005. Mr J McAlpine, Chief Executive Officer – Television was a key management person in the year ended 31 August 2005. He retired on 1 July 2005.

Remuneration of Key Management Personnel

Principles Used To Determine The Nature And Amount Of Remuneration

The objective of the Company'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. 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.

In consultation with external remuneration consultants, the Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration of Key Management Personnel (continued)

Principles Used To Determine The Nature And Amount Of Remuneration (continued)

Alignment to shareholders' interests:

- Has economic profit (earnings before interest and tax – "EBIT") as a core component of plan design
- Focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- Attracts and retains high calibre executives.

Alignment to program participants' interests:

- Rewards capability and experience
- Reflects competitive reward for contribution to shareholder growth
- Provides a clear structure for earning rewards
- Provides recognition for contribution.

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.

Non-Executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of the Directors. The Nomination Committee has responsibility for reviewing and recommending the level of remuneration for non-executive Directors in relation to Board and Committee duties. The non-executive Directors do not participate in any share option plans.

Remuneration for non-executive Directors consists of annual fees and superannuation contributions made in accordance with superannuation guarantee legislation for the Directors performing their duties on the Board of the Company and on various committees.

Directors' fees have been determined on the basis that it will be attractive to proposed Board members and ensure the Company's Board is comprised of skilled and well-qualified Directors.

There are no retirement allowances for non-executive Directors.

Executive Pay

The executive pay and reward framework has four components:

- Base pay and benefits
- Short-term performance incentives through cash bonuses
- Long-term incentives through participation in the Performance Incentive Share Plan, and
- Other remuneration such as superannuation.

Executives in the past have been granted share options under the Ten Executive Option Plan. This Plan is currently suspended.

The combination of these components comprises the Executives' total remuneration.

Base pay

Base pay is structured as fixed remuneration that may be delivered as a combination of cash and salary packaged benefits including motor vehicles.

External remuneration consultants periodically provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for some senior Executives is reviewed annually to ensure the Executive's pay is competitive with the market. Some Executives have fixed annual base pay increases included as a term of their employment contract.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration of Key Management Personnel (continued)

Retirement Benefits

Retirement benefits are delivered under defined contribution superannuation funds.

Short-Term Incentives

Short-term incentives are available through cash bonuses to certain Executives as determined by the Remuneration Committee. Variable Remuneration Incentive Plan (“VRIP”) targets are established in each financial year with 25% of the incentive dependent on group EBIT targets, as approved by the Board, and 75% of the incentives based on achievement of specific individual and leadership related business drivers and objectives. EBIT is deemed to be the most appropriate measure in determining incentive remuneration in line with company performance. Short-term incentives are payable in December of each year. Using a combination of financial and non-financial targets ensures variable reward is linked to shareholder value consistent with the business plan.

Each Executive has a target short-term incentive opportunity depending on the accountabilities of the role and impact on organisation or business unit performance. For senior Executives (other than the Executive Chairman) the maximum target bonus opportunity varies between 15-30% of fixed remuneration. The Executive Chairman can receive up to a maximum target bonus of 75% of fixed remuneration. Each year, the Remuneration Committee reviews both the prescribed business drivers for the forthcoming year and recommended payments for the completed year under the plan. Performance against VRIP objectives is measured via a confidential 360-degree feedback review. The Executive Chairman's performance is assessed by the Board Remuneration Committee annually against pre determined performance criteria.

Performance Incentive Share Plan

A limited number of senior Executives are invited to participate in a long-term incentive share plan. The Ten Group Pty Limited wishes to give eligible employees an opportunity to participate in the Ten Employee Performance Incentive Share Plan (“Performance Incentive Share Plan”) to encourage retention of key employees, provide an incentive for future performance and align employee interests with shareholder value in the future.

For participants a maximum “incentive amount” is determined by the Remuneration Committee, currently equal to shares between the values of 15-20% of fixed remuneration per annum other than for the Chief Executive Officer and Executive Chairman (see service contracts below). The incentive amount is payable with reference to certain profit and personal targets.

Shares equal to the incentive amount are bought on market and paid in four equal tranches over 4 years. The first tranche is paid on or about 1 January of the following year with the next 3 tranches of shares provided on or about each successive anniversary of the first acquisition date.

If personal targets are not met then 25% of the incentive amount is not provided and all entitlements to that 25% will lapse. If The Ten Group Pty Limited performance target is not met the Remuneration Committee may in its discretion determine the incentive amount the employees will receive, having regard for the reasons why the performance target were not met.

Whilst employed by the Company the shares are subject to a trading lock for 5 years from first acquisition date.

Long-Term Incentive Share Option Plan

Executives in the past have been granted share options under the Ten Executive Option Plan. This Plan is currently suspended.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
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32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Remuneration of Key Management Personnel (continued)

Long-Term Incentive Share Option Plan (continued)

Options are only exercisable:

- If at the First Exercise Date for the relevant Options, the Accumulation Index for Ten Network Holdings Limited shares (being the growth in the share price for Ten Network Holdings Limited, together with the reinvestment of dividends) ("the TEN Index") measured from the Date of Grant is equal to or greater than the Australian Stock Exchange All Industrial Accumulation Index, excluding the Banks and Finance Index ("Comparator Index"); or
- If at any time after the First Exercise Date for the relevant Options but prior to the Last Exercise Date, the TEN Index measured from the Date of Grant is equal to or greater than the Comparator Index measured from the Date of Grant; or
- The TEN Index is equal to or greater than, the Comparator Index as measured over any uninterrupted three year period commencing on or after the Date of Grant and ending after the First Exercise Date and prior to the Last Exercise Date.

Details of Remuneration

Details of the remuneration of each Director of The Ten Group Pty Limited and the other Key Management Personnel of the consolidated entity, are set out in the following tables.

2006	Short-Term Benefits			Post Employment Benefits		Share-Based Payment		
Name	Cash Salary and Fees \$	Cash Bonus \$	Motor Vehicle \$	Super-annuation \$	Retirement/ Termination Benefits \$	Shares \$	Options \$	Total \$
<i>Executive Director of The Ten Group Pty Limited</i>								
NG Falloon	1,987,770	1,000,000	-	12,230	-	-	-	3,000,000
<i>Non-Executive Directors of The Ten Group Pty Limited</i>								
LJ Asper	20,655	-	-	-	-	-	-	20,655
JJ Cowin	27,821	-	-	2,504	-	-	-	30,325
LS Freedman	27,821	-	-	2,504	-	-	-	30,325
PV Gleeson	-	-	-	32,504	-	-	-	32,504
PPA Harris	25,321	-	-	2,279	-	-	-	27,600
IYL Lee	27,987	-	-	2,519	-	-	-	30,506
GH Levy	25,321	-	-	2,279	-	-	-	27,600
R Magid	20,655	-	-	1,859	-	-	-	22,514
BM Sherman	20,655	-	-	1,859	-	-	-	22,514
TC Strike	32,487	-	-	-	-	-	-	32,487
PD Viner	20,655	-	-	-	-	-	-	20,655
JB Studdy	20,655	-	-	-	-	-	-	20,655
<i>Other Key Management Personnel of the Consolidated Entity</i>								
G Blackley	781,770	140,000	-	18,230	-	118,281	-	1,058,281
D Mott	601,103	283,629 ^A	-	40,651	-	99,000	-	1,024,383
G Thorley	561,422	210,000	59,681	12,230	-	91,000	-	934,333
K Kingston	456,318	107,250	-	39,349	-	75,327	-	678,244
J Kelly	316,408	99,225	53,989	39,778	-	64,181	-	573,581
S Partington	252,898	63,516	38,342	14,297	-	34,950	-	404,003
Total	5,227,722	1,903,620	152,012	225,072	-	482,739	-	7,991,165

^A: D Mott's cash bonus includes a \$200,000 sign-on bonus.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Details of Remuneration (continued)

2005 Name	Short-Term Benefits			Post Employment Benefits		Share-Based Payment		Total \$
	Cash Salary and Fees \$	Cash Bonus \$	Motor Vehicle \$	Super- annuation \$	Retirement/ Termination Benefits \$	Shares \$	Options \$	
<i>Executive Directors of The Ten Group Pty Limited</i>								
NG Falloon	1,564,621	772,500	25,938	11,677	-	-	92,458	2,467,194
J McAlpine ^A	895,925	861,000	-	9,654	2,373,669	-	-	4,140,248
<i>Non-Executive Directors of The Ten Group Pty Limited</i>								
LJ Asper	12,000	-	-	-	-	-	-	12,000
JJ Cowin	18,500	-	-	1,665	-	-	-	20,165
LS Freedman	18,500	-	-	1,665	-	-	-	20,165
PV Gleeson	19,970	-	-	1,797	-	-	-	21,767
PPA Harris	16,000	-	-	1,440	-	-	-	17,440
IYL Lee	18,000	-	-	1,620	-	-	-	19,620
GH Levy	16,000	-	-	1,440	-	-	-	17,440
R Magid	12,000	-	-	1,080	-	-	-	13,080
BM Sherman	12,000	-	-	1,080	-	-	-	13,080
TC Strike	22,500	-	-	-	-	-	-	22,500
PD Viner	12,530	-	-	-	-	-	-	12,530
JB Studdy	2,038	-	-	-	-	-	-	2,038
<i>Other Key Management Personnel of the Consolidated Entity</i>								
G Blackley	541,271	283,278	-	18,677	-	68,281	-	911,507
G Thorley	514,285	137,500	59,681	11,677	-	58,500	-	781,643
D Mott	521,656	128,945	-	11,677	-	66,500	-	728,778
K Kingston	373,755	79,292	-	37,011	-	48,877	-	538,935
J Kelly	303,167	56,081	28,568	38,794	-	43,343	1,970	471,923
S Partington	218,859	70,974	38,334	24,077	-	28,824	985	382,053
Total	5,113,577	2,389,570	152,521	175,031	2,373,669	314,325	95,413	10,614,106

^A: Mr J McAlpine retired on 1 July 2005.
Retirement/Termination Benefits include both contracted and statutory entitlements.
Cash Bonus includes short-term incentives paid on retirement.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Service Agreements

Remuneration and other terms of employment for the Executive Director and the other Key Management Personnel are formalised in service agreements. Each of these agreements provide for the provision of short-term performance-related incentives, other benefits including car allowances and participation when eligible, in the Ten Executive Option and Performance Incentive Share Plan. Other major provisions of the agreements relating to remuneration are set out below.

Nicholas Falloon, *Executive Chairman*

Term of agreement – 3 years commencing 1 September 2005.

- Base salary of \$2,000,000 inclusive of superannuation, to be reviewed annually by the Remuneration Committee and increased by an amount not less than any rise in the annual CPI during the relevant period.
- A short-term incentive (STI) of up to 75% of base salary may be paid against a set of targets and objectives heavily weighted to the financial performance of the group. For the year ended 31 August 2005, a STI of up to 50% of base salary may be paid against a set of targets and objectives heavily weighted to the financial performance of the group.
- Long-term incentives of up to a maximum of \$1,500,000 of Ten Network Holdings Limited Shares may be paid against a set of targets to be determined annually and weighted heavily to the financial performance of the Group. Shares must be held for a period of not less than 18 months from date of acquisition.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, is based on 12 months' notice plus 12 months' short and long-term incentive payments. Shares purchased under the Performance Incentive Share Plan on which the restriction on disposal has not lapsed may also be made available to the Executive.
- In addition, 100% of the eligible STI is paid on a pro-rated period remaining in the financial year.
- Termination benefit for resignation or breach of contract is restricted to base salary and leave unpaid at the date of termination.

Grant Blackley, *Chief Executive Officer - Television* (Appointed 1 July 2005), previously *General Manager – Network Sales*

Term of agreement – commencing 1 July 2005 and expiring 1 September 2009.

- Effective 1 September 2005 base salary, inclusive of superannuation is \$800,000.
- Base salary will be reviewed each year with effect from 1 September 2006.
- For the financial year commencing from 1 September 2005 short-term incentives are available under a variable remuneration scheme equivalent to 30% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, prior to 1 July 2006 shall be 18 months' notice to the employee.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, on or after 1 July 2006 shall be 12 months' notice to the employee.
- In addition, 100% of the eligible STI is paid on a pro-rated period remaining in the financial year, such pro rata amount being calculated using the percentage of the maximum VRIP payment achieved in the previous financial year.
- Long-term incentives allocated but not acquired will be additionally delivered.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Service Agreements (continued)

David Mott, *Chief Programming Officer*

Term of agreement – commencing 27 September 2002 and expiring 31 December 2005.

- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$540,000.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to 6 months of base salary in lieu of any notice period not provided.

Term of agreement – 4 years commencing 1 January 2006

- Base salary, inclusive of superannuation, for the year ended 31 December 2006 of \$650,000, increasing to \$680,000 on 1 January 2007, \$710,000 on 1 January 2008 and \$740,000 on 1 January 2009.
- A sign on bonus of \$200,000 was payable upon commencement of this agreement.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

Gerry Thorley, *Chief Executive Officer – Eye Corp*

Term of agreement – 3 years commencing 1 January 2005.

- Effective 1 September 2005 base salary, inclusive of superannuation is \$600,000.
- Effective 1 January 2006 base salary, inclusive of superannuation, is \$650,000 increasing by no less than 4% on 1 January 2007.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Six month's notice may be given by Mr Thorley if there is a substantive change to his role.
- A payment equivalent to twelve months fixed remuneration must be paid if there is a substantive change in his role leading to termination.

Kerry Kingston, *Chief Operating Officer*

Term of agreement – 1 year commencing 1 January 2005 and expiring 31 December 2005.

- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$429,000.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

Term of agreement – 3 years commencing 1 January 2006 and expiring 31 December 2008.

- Base salary, inclusive of superannuation, for the year ended 31 December 2006 of \$529,000, increasing by no less than 4% on 1 January 2007 and no less than 4% on 1 January 2008.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

John Kelly, *Chief Financial Officer*

Term of agreement – 3 years commencing 1 January 2005 and expiring on 31 December 2007.

- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$396,900, increasing to \$416,745 on 1 January 2006.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Pro rata short-term incentive payment payable at end of contract based on completed calendar months in fiscal year.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Service Agreements (continued)

Stephen Partington, *Group General Counsel & Company Secretary*

- Rolling contract.
- Base salary, inclusive of superannuation, for the year ended 31 December 2005 of \$298,088.
- Base salary, inclusive of superannuation, for the year ended 31 December 2006 of \$310,012.
- Short-term incentives are available under a variable remuneration scheme equivalent to 25% of base salary on achievement of specific VRIP targets.
- Long-term incentives are available through participation in the Performance Incentive Share Plan.
- Thirteen week notice period.

Share-Based Compensation - Options

Options have been granted to Executives under the Ten Executive Option Plan, details of which are set out in Note 35 to the financial statements.

The terms and conditions of each grant of options affecting remuneration in the current or previous year, or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price	Value Per Option at Grant Date	Date Exercisable
15 March 2000	15 March 2005	\$2.41	\$0.4763	15 March 2004
22 December 2000	22 December 2005	\$2.25	\$0.5093	22 December 2004
21 December 2001	21 December 2011	\$1.90	\$0.4821	21 December 2004

Options are granted under the Plan for no consideration.

Options granted under the plan carry no dividend or voting rights.

The exercise price of options is based on the weighted average price at which Ten Network Holdings Limited's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

Equity instrument disclosures relating to Key Management Personnel

Options Provided As Remuneration

Details of options over ordinary shares in Ten Network Holdings Limited provided as remuneration to Directors of The Ten Group Pty Limited and other Key Management Personnel of the consolidated entity are set out below.

Name	Number of Options Vested During the Year	
	2006	2005
<i>Directors of The Ten Group Pty Limited</i>		
NG Falloon	-	1,875,000
<i>Other Key Management Personnel of the consolidated entity</i>		
J Kelly	-	50,000
S Partington	-	25,000

No options over unissued ordinary shares of Ten Network Holdings Limited were granted during or since the end of the financial year to Directors of The Ten Group Pty Limited or any other Key Management Personnel of the consolidated entity as part of their remuneration.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Equity instrument disclosures relating to Key Management Personnel (continued)

Shares Provided on Exercise of Remuneration Options

Details of ordinary shares in Ten Network Holding Limited provided as a result of the exercise of remuneration options to each Director of The Ten Group Pty Limited and other Key Management Personnel of the consolidated entity are set out below.

During the year ended 31 August 2006, there were no ordinary shares in Ten Network Holdings Limited provided as a result of the exercise of options held by the Key Management Personnel.

2005	Date of Exercise of Options	Amount Paid Per Share	Number of Ordinary Shares Issued on Exercise of Options During the Year
<i>Directors of The Ten Group Pty Limited</i>			
NG Falloon	21 December 2004	\$1.90	1,875,000
<i>Other Key Management Personnel of the consolidated entity</i>			
G Blackley	15 October 2004	\$2.41	120,000
G Thorley	13 October 2004	\$2.41	120,000
J Kelly	13 October 2004	\$2.41	125,000
	22 December 2004	\$2.25	100,000
S Partington	1 July 2005	\$2.25	25,000

No amounts are unpaid on any shares issued on the exercise of options.

Option Holdings

The number of options over ordinary shares in Ten Network Holding Limited held during the financial year by Directors of The Ten Group Pty Limited and other Key Management Personnel of the consolidated entity, including their personally-related entities, are set out below.

There were no option holdings for Key Management Personnel during the year ended 31 August 2006.

No options are vested and unexercisable at the end of the year.

2005	Balance at the Start of the Year	Granted During the Year as Remuneration	Exercised During the Year	Expired During the Year	Balance at the End of the Year	Vested and Exercisable at the End of the Year
<i>Directors of The Ten Group Pty Limited</i>						
NG Falloon	1,875,000	-	(1,875,000)	-	-	-
<i>Other Key Management Personnel of the consolidated entity</i>						
G Blackley	120,000	-	(120,000)	-	-	-
G Thorley	120,000	-	(120,000)	-	-	-
J Kelly	225,000	-	(225,000)	-	-	-
S Partington	25,000	-	(25,000)	-	-	-

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Share Holdings

The number of ordinary shares in the Ten Network Holdings Limited held during the financial year by each Director of The Ten Group Pty Limited and other Key Management Personnel of the consolidated entity, including their personally-related entities, are set out below.

2006					
Name	Balance at the Start of the Year	Received During the Year on the Exercise of Options	Received During the Year as Remuneration	Other Changes During the Year	Balance at the End of the Year
<i>Directors of The Ten Group Pty Limited</i>					
NG Falloon	1,875,000	-	-	(1,875,000)	-
LJ Asper	-	-	-	-	-
JJ Cowin	1,000,000	-	-	-	1,000,000
LS Freedman	507,347	-	-	-	507,347
PV Gleeson	15,048,608	-	-	-	15,048,608
PPA Harris	24,611	-	-	-	24,611
IYL Lee	10,000	-	-	-	10,000
GH Levy	33,000	-	-	-	33,000
R Magid	150,000	-	-	150,000	300,000
BM Sherman	8,016,105	-	-	-	8,016,105
TC Strike	-	-	-	-	-
PD Viner	-	-	-	-	-
J Studdy	50,000	-	-	-	50,000
<i>Other Key Management Personnel of the consolidated entity</i>					
G Blackley	36,160	-	36,592 ¹	-	72,752
D Mott	35,494	-	30,626 ¹	-	66,120
G Thorley	23,668	-	28,280 ¹	-	51,948
K Kingston	25,772	-	23,304 ¹	-	49,076
J Kelly	138,357	-	19,855 ¹	(17,000)	141,212
S Partington	135,606	-	10,657 ¹	618	146,881

¹: Shares purchased under The Ten Employee Performance Incentive Plan and The Ten Employee Savings Plan were acquired at the prevailing market price at the date of acquisition being \$3.2325 and \$3.2253 respectively.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Share Holdings (continued)

2005 Name	Balance at the Start of the Year	Received During the Year on the Exercise of Options	Received During the Year as Remuneration	Other Changes During the Year	Balance at the End of the Year
<i>Directors of The Ten Group Pty Limited</i>					
NG Falloon	5,625,000	1,875,000	-	(5,625,000)	1,875,000
LJ Asper	-	-	-	-	-
JJ Cowin	1,000,000	-	-	-	1,000,000
LS Freedman	2,007,347	-	-	(1,500,000)	507,347
PV Gleeson	15,048,608	-	-	-	15,048,608
PPA Harris	24,611	-	-	-	24,611
IYL Lee	10,000	-	-	-	10,000
GH Levy	33,000	-	-	-	33,000
J McAlpine	70,000	-	-	(70,000)	-
R Magid	150,000	-	-	-	150,000
BM Sherman	8,016,105	-	-	-	8,016,105
TC Strike	-	-	-	-	-
PD Viner	-	-	-	-	-
J Studdy	50,000	-	-	-	50,000
<i>Other Key Management Personnel of the consolidated entity</i>					
G Blackley	20,566	120,000	15,594 ¹	(120,000)	36,160
G Thorley	9,863	120,000	13,360 ^{1,2}	(119,555)	23,668
D Mott	27,892	-	15,187 ¹	(7,585)	35,494
K Kingston	14,713	-	11,059 ¹	-	25,772
J Kelly	24,175	225,000	9,682 ¹	(120,500)	138,357
S Partington	103,873	25,000	6,733 ^{1,3}	-	135,606

¹: Shares purchased under The Ten Employee Performance Incentive Plan and The Ten Employee Savings Plan were acquired at the prevailing market price at the date of acquisition being \$4.3786 and \$4.3715 respectively.

²: Shares purchased under The Ten Employee Performance Incentive Plan were acquired at the prevailing market price at the date of acquisition being \$4.14.

³: Shares purchased under The Ten Employee Savings Plan were acquired at the prevailing market price at the date of acquisition being \$4.3859 and \$3.58.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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32 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

Loans to Directors and Other Key Management Personnel

No loans were made during the financial year or previous financial year, to Directors of The Ten Group Pty Limited or to other Key Management Personnel of the consolidated entity, including their personally related entities.

Other Transactions with Directors and Other Key Management Personnel

Contracts with Directors

During the financial year, Competitive Foods Australia Limited entered into agreements in respect of the purchase of television airtime (through an advertising agency) from a controlled entity on normal commercial terms and conditions. Mr JJ Cowin, a Director of the Company, is Chairman of, and has a substantial interest in, Competitive Foods Australia Limited. The value of such transactions are at arm's-length and are not material to the consolidated entity.

During the prior financial year, a controlled entity of Ten Network Holdings Limited entered into a consultancy agreement with Memwane Pty Limited on normal commercial terms and conditions. Mr J McAlpine, a Director of the Company during the year ended 31 August 2005, is the Director of Memwane Pty Limited. The value of this agreement is not material to the consolidated entity.

Other Key Management Personnel of the Consolidated Entity

No other transactions were entered into during the financial year or previous financial year with other Key Management Personnel of the consolidated entity, including their personally related entities.

Consolidated		The Company	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

33 AUDITORS' REMUNERATION

Audit and other assurance services:

Auditors of the Company – PricewaterhouseCoopers

Audit or review of financial reports

497 433 - -

Other audit related work

189 66 - -

Other assurance services

38 84 - -

Other Auditors – Gilbert Smith Johnson

Other audit related work

- 29 - -

724 612 - -

Other services:

Auditors of the Company – PricewaterhouseCoopers

Advisory services

52 11 - -

Taxation

471 437 - -

Other Auditors – Gilbert Smith Johnson

Advisory services

- 10 - -

523 458 - -

1,247 1,070 - -

The auditors' remuneration attributable to the Company is borne by a controlled entity.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

34 COMMITMENTS

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(a) Capital expenditure commitments					
Amounts contracted but not provided for:					
No later than one year		4,456	3,807	-	-
Later than one year and not later than five years		-	-	-	-
		<u>4,456</u>	<u>3,807</u>	<u>-</u>	<u>-</u>
(b) Program expenditure commitments					
Amounts contracted but not provided for:					
No later than one year		76,580	69,673	-	-
Later than one year and not later than five years		431,239	121,424	-	-
Later than five years		467,884	-	-	-
		<u>975,703</u>	<u>191,097</u>	<u>-</u>	<u>-</u>
(c) Non-cancellable operating lease commitments					
The consolidated entity leases various offices and plant and equipment under non-cancellable operating leases expiring within one to fifteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.					
Minimum lease payments contracted but not provided for:					
No later than one year		63,042	40,176	-	-
Later than one year and not later than five years		211,265	110,104	-	-
Later than five years		147,193	83,831	-	-
		<u>421,500</u>	<u>234,111</u>	<u>-</u>	<u>-</u>
Less: Total future minimum sub lease payments receivable		-	-	-	-
		<u>421,500</u>	<u>234,111</u>	<u>-</u>	<u>-</u>
Not included in the above commitments are contingent rental payments which may arise in the event that revenue from certain leased assets exceed a pre-determined threshold. The contingent rent payable varies from asset to asset.					
(d) Finance lease commitments					
Finance lease commitments are payable:					
No later than one year		574	1,497	-	-
Later than one year and not later than five years		-	624	-	-
		<u>574</u>	<u>2,121</u>	<u>-</u>	<u>-</u>
Less: Total future finance charges		31	136	-	-
		<u>543</u>	<u>1,985</u>	<u>-</u>	<u>-</u>
Represented by:					
Current	20	543	1,387	-	-
Non-current	23	-	598	-	-
		<u>543</u>	<u>1,985</u>	<u>-</u>	<u>-</u>

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

34 COMMITMENTS (continued)

(e) Superannuation

The consolidated entity contributes superannuation benefits to numerous, but solely accumulation-type superannuation funds including personal, award based and the Network Ten Australia Superannuation Plan (administered by Mercer Master Trust) at various percentages of salary pursuant to employee contracts and statutory obligations.

35 SHARE-BASED PAYMENTS

The Ten Executive Option Plan

The Ten Executive Option Plan involves the issue of options in Ten Network Holdings Limited to Executives and senior management of the Company and its controlled entities. The total number of options that may be issued have been limited to 5% of the issued capital of The Ten Group Pty Limited. All issued options are also subject to various vesting date arrangements. At balance date no options remain on issue.

During the year ended 31 August 2006, 250,000 options were exercised at a price of \$2.25 per share.

Directors have had regard to the particular capital structure of the Company and Ten Network Holdings Limited and have implemented arrangements to ensure that dilution arising from the issue of new shares in Ten Network Holdings Limited under the terms of the Plan are matched at the Company level.

The Ten Employee Award Plan

This plan was established as a reward and incentive plan for employees of The Ten Group Pty Limited and its controlled entities. A controlled entity contributed \$1,000 per employee in each of calendar years 1998, 2003, 2004 and 2005 for the on-market purchase of shares of Ten Network Holdings Limited on behalf of each employee. Although the shares are registered in the name of each employee, these shares are restricted from being traded for a period of three years from the date of grant, except for the termination of the employee or hardship circumstances. The plan is also designed to accommodate further contributions by The Ten Group Pty Limited and its controlled entities, however there is no commitment by the Company to make future contributions.

The Ten Employee Savings Plan

The Ten Employee Savings Plan was established as a mechanism for employees of the Company and its controlled entities for the purchase of shares in Ten Network Holdings Limited. Employees may set aside amounts from their remuneration and reward arrangements for the on-market purchase of such shares.

The Ten Employee Performance Incentive Share Plan

A limited number of senior Executives are invited to participate in a long-term incentive share plan.

For participants the maximum target incentive opportunity is shares to the value of 20% of total remuneration per annum. These shares are bought on market and paid in four equal tranches provided specified performance targets are met. The first tranche is paid on 1 January of the following year with the next 3 tranches of shares being provided on or about each successive anniversary of the first acquisition date. The issue of each tranche of shares is subject to the Executive still being employed by the Company at that date and they must have met their short-term incentive plan targets for the relevant financial year. Whilst employed by the Company the shares are subject to a trading lock for 5 years from issue. Further details of the Performance Incentive Share Plan are set out in Note 32.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
36 RELATED PARTY INFORMATION					
Ownership interest in related entities					
Controlled entities	14	-	-	189,197	133,995
Associated companies- equity accounted	13,31(a)	12,927	10,367	-	-
- other	14	2,119	2,119	-	-
Joint venture companies	13,31(b)	-	51	-	-
		<u>15,046</u>	<u>12,537</u>	<u>189,197</u>	<u>133,995</u>
Dividends					
Dividends to controlling entities		<u>78,304</u>	<u>86,636</u>	<u>78,304</u>	<u>86,636</u>
Amounts receivable from/(payable to) related entities					
Controlled entities					
Receivable	12	-	-	444,561	375,176
Payable	22	-	-	-	(58,062)
		<u>-</u>	<u>-</u>	<u>444,561</u>	<u>317,114</u>
Associated companies					
Receivable	8,12	<u>688</u>	<u>688</u>	<u>-</u>	<u>-</u>
Related entities					
Payable	19	(13,124)	(17,978)	(13,124)	(17,978)
Subordinated debentures	23	(45,500)	(45,500)	(45,500)	(45,500)
Convertible debentures	23	(45)	(45)	(45)	(45)
		<u>(58,669)</u>	<u>(63,523)</u>	<u>(58,669)</u>	<u>(63,523)</u>

The amount of debenture interest ultimately payable is dependent on the amount of any dividend paid.

Financial transactions with related entities

<u>Entity's name</u>	<u>Note</u>	<u>Nature of transaction at normal commercial terms</u>
Between controlled entities:		
Network Ten Pty Limited	4	Interest on loans \$26.4m (2005: \$26.4m)
Eye Corp Pty Limited		Purchase of Out-of-home advertising by Network Ten Pty Limited of \$0.3m (2005: \$0.3m)
Eye Corp Pty Limited		Rental income charged by Network Ten Pty Limited, Network Ten (Adelaide) Pty Limited and Network Ten (Perth) Pty Limited of \$0.2m (2005: \$0.1m)
Eye Corp Pty Limited		Loan from The Ten Group Pty Limited of \$83.9m (2005: \$83.9m)
Network Ten Pty Limited	4,5	Debt collection fee revenue of \$102.0m (2005: \$112.8m)
Network Ten (Adelaide) Pty Limited	4,5	Management fees of \$496.7m (2005: \$481.5m)
Network Ten (Perth) Pty Limited	4,5	Debt collection fee revenue of \$13.6m (2005: \$15.3m)
		Management fees of \$34.2m (2005: \$35.5m)
Network Ten (Perth) Pty Limited	4,5	Debt collection fee revenue of \$17.1m (2005: \$19.1m)
		Management fees of \$40.6m (2005: \$42.0m)
With related entities:		
CanWest Global Communications Corp. (Group)	5	Interest on subordinated and convertible debentures \$84.5m (2005: \$98.6m)
Global Television Limited (Equity accounted associate)		Facilities, Crew and Studio Hire of \$16.7m (2005: \$22.1m)

Key Management Personnel disclosures relating to key management personnel are set out in Note 32.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

36 RELATED PARTY INFORMATION (continued)

Network Agreements

The Company has networking agreements with a number of its controlled entities whereby advertising revenues derived by those controlled entities are assigned to the Company. Revenues assigned by those controlled entities totalled \$663.9m (2005: \$735.8m). Management fees payable by the Company to controlled entities under the agreements totalled \$571.6m (2005: \$559.1m). Debt collection fees are also collected by the Company totalling \$132.8m (2005: \$147.2m).

Controlling Entities

The ultimate parent entity in the wholly owned group is The Ten Group Pty Limited. The ultimate parent entity is Ten Network Holdings Limited, a company listed on the Australian Stock Exchange, which at 31 August 2006 had a beneficial interest of 84.40% (2005: 84.40%) and an economic interest of 42.99% (2005: 42.99%).

37 CONTINGENT LIABILITIES

General

As part of its normal operations as a television broadcaster, the consolidated entity has received writs for defamation and various claims for damages. At balance date, the aggregate of all such claims will not give rise to any material liability.

Details and estimates of other maximum amounts of contingent liabilities are as follows:

	Note	Consolidated		The Company	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unsecured guarantees by the parent entity and consolidated entity in respect of leases of controlled entities		44,915	40,885	37,805	40,680
Secured guarantees by the parent entity and consolidated entity in respect of leases of controlled entities	(i)	1,097	2,371	-	-
		<u>46,012</u>	<u>43,256</u>	<u>37,805</u>	<u>40,680</u>

(i) The Eye Corp Pty Limited consolidated entity has granted a fixed and floating charge over all assets.

No material losses are anticipated in respect of any of the above contingent liabilities.

38 SEGMENT INFORMATION

Business segments

The consolidated entity is organised into the following divisions by service type.

Television

Operation of commercial television licences TEN-10 (Sydney), ATV-10 (Melbourne), TVQ-10 (Brisbane), ADS-10 (Adelaide) and NEW-10 (Perth).

Out-of-home

Advertising media outside the home environment.

Geographical segments

The consolidated entity operates principally within Australia.

Inter-segment transactions

Segment revenues, expenses and results include transactions between segments. Such transactions are priced on an "arm's-length" basis and are eliminated on consolidation.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

38 SEGMENT INFORMATION (continued)

Primary reporting – business segments

2006	Television \$'000	Out-of-home \$'000	Eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue				
Sales to external customers	762,313	127,023	-	889,336
Inter-segment sales	169	329	(498)	-
Total sales revenue	762,482	127,352	(498)	889,336
Other revenue	1,356	377	-	1,733
Total revenue	763,838	127,729	(498)	891,069
Segment Result				
Result	226,930	22,858	-	249,788
Share of associates' and joint ventures' profit	2,179	1,182	-	3,361
EBITDA	229,109	24,040	-	253,149
Depreciation	(15,639)	(4,957)	-	(20,596)
Amortisation	-	(1,125)	-	(1,125)
EBIT	213,470	17,958	-	231,428
Finance costs				(118,732)
Interest revenue				1,733
Profit before tax				114,429
Income tax expense				(59,198)
Profit after tax				55,231
Depreciation and amortisation	15,639	6,082	-	21,721
Assets				
Segment assets	674,420	179,934	-	854,354
Investments in associates and joint ventures	9,617	3,310	-	12,927
Consolidated total assets				867,281
Liabilities				
Segment liabilities	835,643	27,937	-	863,580
Acquisitions of non-current assets	13,946	10,651	-	24,597

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

38 SEGMENT INFORMATION (continued)

2005	Television \$'000	Out-of-home \$'000	Eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue				
Sales to external customers	838,036	115,159	-	953,195
Inter-segment sales	106	322	(428)	-
Total sales revenue	838,142	115,481	(428)	953,195
Other revenue	971	200	-	1,171
Total revenue	839,113	115,681	(428)	954,366
Segment Result				
Result	314,917	25,026	-	339,943
Share of associates' and joint ventures' profit	1,372	1,234	-	2,606
EBITDA	316,289	26,260	-	342,549
Depreciation	(15,405)	(5,166)	-	(20,571)
Amortisation	-	(914)	-	(914)
EBIT	300,884	20,180	-	321,064
Finance costs				(128,027)
Interest revenue				1,171
Profit before tax				194,208
Income tax expense				(89,386)
Profit after tax				104,822
Depreciation and amortisation	15,405	6,080	-	21,485
Assets				
Segment assets	665,399	148,336	-	813,735
Investments in associates and joint ventures	9,555	2,982	-	12,537
Consolidated total assets				826,272
Liabilities				
Segment liabilities	746,612	34,114	-	780,726
Acquisitions of non-current assets	9,691	13,140	-	22,831

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

Consolidated		The Company	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

39 NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of profit after income tax to net cash flows from operating activities

Profit after income tax	55,231	104,822	161,250	167,767
Non-cash revenue	(3,361)	(2,446)	-	-
Non-cash expenses	22,065	22,661	-	-
Dividends from associates	890	1,265	-	-
Loss on sale of non-current assets	63	8	-	-
Debenture interest	84,462	98,578	84,462	98,578
Impairment gain	-	-	(55,202)	(7,828)
Amount paid from provisions	885	769	-	-
Net increase in tax provisions	(37,339)	42,580	(45,196)	41,083
Net increase/(decrease) in accrued revenue and expense items in payables/(receivables)	(33,663)	(4,450)	14,597	(8,581)
Net cash flows from operating activities	89,233	263,787	159,911	291,019

40 DEED OF CROSS GUARANTEE

There are two separate Deeds of Cross Guarantee within the consolidated entity. The Ten Group Pty Limited is the holding company under the first of the Deeds and those wholly owned subsidiaries party to The Ten Group Pty Limited Deed are listed in Note 29, reference note (i).

Eye Corp Pty Limited is the holding company under the second Deed of Cross Guarantee and those wholly owned subsidiaries party to the Eye Corp Pty Limited Deed are listed in Note 29, reference note (ii).

The controlled entities party to the Deeds of Cross Guarantee have been granted relief from the necessity to prepare a financial report and Directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321, 01/1087, 02/0248, 02/1017, 04/663, 04/682, 04/1624 and 05/542) issued by the Australian Securities and Investments Commission. Under the Deeds of Cross Guarantee each of the companies party to each of the Deeds guarantees the debts of the other named companies.

An abridged consolidated statement of financial performance and consolidated statement of financial position, comprising The Ten Group Pty Limited and controlled entities which are a party to The Ten Group Pty Limited Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 August is set out below:

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

	Consolidated	
	2006	2005
	\$'000	\$'000
Abridged Income Statement		
<i>Profit/(loss) before income tax</i>	151,649	182,158
Income tax benefit/(expense)	(53,443)	(83,531)
<i>Profit/(loss) after income tax</i>	98,206	98,627
Retained profits at the beginning of year	45,593	49,665
Dividends provided or paid	(92,769)	(102,699)
<i>Retained earnings at end of year</i>	51,030	45,593
Balance Sheet		
Cash assets	8,622	4,730
Receivables	117,226	129,080
Inventories	149,642	135,556
Non-current assets held for sale	3,605	-
Other	3,446	3,130
<i>Total current assets</i>	282,541	272,496
Receivables	108,497	83,044
Inventories	1,915	1,523
Investments accounted for using the equity method	9,617	7,436
Other financial assets	146,979	91,777
Property, plant and equipment	55,989	61,466
Intangibles	326,422	326,423
Derivative financial instruments	3,248	-
Other	5,388	2,481
<i>Total non-current assets</i>	658,055	574,150
<i>Total assets</i>	940,596	846,646
Payables	165,553	186,433
Current tax liabilities	1,939	48,392
Provisions	15,754	14,917
<i>Total current liabilities</i>	183,246	249,742
Payables	-	-
Interest bearing liabilities	524,309	435,630
Derivative financial instruments	58,935	-
Deferred tax liabilities	43,317	32,372
Provisions	3,148	2,932
<i>Total non-current liabilities</i>	629,709	470,934
<i>Total liabilities</i>	812,955	720,676
<i>Net assets</i>	127,641	125,970
Contributed equity	80,939	80,377
Reserves	(4,328)	-
Retained earnings	51,030	45,593
<i>Total Equity</i>	127,641	125,970

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

41 DIVIDENDS

Dividends proposed or paid by the Company are:

	Cents per share	Total amount \$'000	Date of Payment	Tax rate for franking credit	Percentage franked
2006					
December dividend paid	12.13	57,324	20 December 2005	30%	100%
June dividend paid					
Ordinary dividend	4.0	18,904	3 July 2006	30%	100%
Special dividend	3.5	16,540	3 July 2006	30%	100%
2005					
December dividend paid	12.7	59,717	20 December 2004	30%	100%
June dividend paid	9.1	42,982	4 July 2005	30%	100%

The Company	
2006	2005
\$'000	\$'000

Dividend franking account

Franking credits (30%) available for the subsequent financial year	-	25,446
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The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of income tax payable as at the reporting date;
- (b) franking debits that will arise from the payment of dividends proposed or provided as at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at reporting date.

42 SUBSEQUENT EVENTS

On 20 September 2006, Eye Corp Pty Limited, a controlled entity, announced that it had acquired Ultimate Media Group Pty Limited which operates advertising concessions across 78 higher education campuses across Australia and New Zealand. The concession features 565 poster format panels. The acquisition is effective from 15 September 2006.

On 11 October 2006, Eye Corp Pty Limited announced that it had been appointed as the preferred media supplier for the Macerich Company for static and digital media offerings within 56 malls from their portfolio. The Macerich Company is one of the largest regional shopping groups in the United States. The Macerich contract takes effect on 1 January 2007.

Other than the above, no matters or circumstances have arisen since balance date that have significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2006 of the consolidated entity; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2006 of the consolidated entity.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

43 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (AIFRS)

(a) Reconciliation of equity reported under previous AGAAP to equity under AIFRS

	Note	Consolidated		The Company	
		31 August 2005 \$'000	1 September 2004 \$'000	31 August 2005 \$'000	1 September 2004 \$'000
Total equity under AGAAP		607,602	584,134	199,086	136,118
Write-back of goodwill amortisation	(i)	3,540	-	-	-
Amortisation of separately identifiable intangible assets	(ii)	(202)	-	-	-
Make good assets	(iii)	2,571	2,972	-	-
Make good provisions	(iii)	(6,235)	(5,980)	-	-
Reverse revaluation of TV licence	(v)	(561,729)	(543,302)	-	-
Write-back of investment revaluation	(vi)	-	-	174,946	174,946
Impairment losses	(vi)	-	-	(110,288)	(118,116)
Total equity under AIFRS		45,547	37,824	263,744	192,948

(b) Reconciliation of profit for the year ended 31 August 2005

	Note	Consolidated	The Company
		31 August 2005 \$'000	31 August 2005 \$'000
Profit attributable to members under AGAAP		102,154	159,939
Write-back of goodwill amortisation	(i)	3,540	-
Amortisation of separately identifiable intangible assets	(ii)	(202)	-
Depreciation of make good assets	(iii)	(401)	-
Restatement of make good provisions	(iii)	(255)	-
Impairment losses	(vi)	-	7,828
Profit attributable to members under AIFRS		104,836	167,767

(c) Reconciliation of cash flow statement under previous AGAAP to cash flow statement under AIFRS

The adoption of AIFRS has not resulted in any material changes to the cash flow statement.

(d) Notes to the reconciliations

(i) Goodwill Amortisation

Under AASB 3 *Business Combinations*, goodwill is no longer amortised, but instead is subject to impairment testing on an annual basis or more frequently if events or changes in circumstances indicate that it might be impaired.

This adjustment reverses all goodwill amortisation recognised post 1 September 2004 and also the goodwill relating to the acquisition of associate investments. Under previous AGAAP, the goodwill relating to associate investments was amortised and recognised in the consolidated entity's share of associates' profit.

(ii) Amortisation of Separately Identifiable Intangible Assets

AASB 3 *Business Combinations* requires the separate identification of intangible assets where they meet the definition of an intangible asset under AASB 138 *Intangible Assets* and if fair value can be measured reliably. These separately identifiable intangible assets are then amortised over their assessed useful lives.

Eye Corp Pty Limited, a controlled entity, has elected to apply AASB 3 to business combinations occurring after 1 September 2004 (date of transition) only. These include the purchase of Eye Shop Pty Limited on 1 September 2004 and Eye Drive Melbourne Pty Limited on 1 July 2005. Separately identifiable intangible assets were recognised in relation to rights associated with leases acquired. These had previously been classified as goodwill.

This adjustment recognises the amortisation of these separately identifiable intangible assets over their estimated useful lives.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2006

43 EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRS (AIFRS)
(continued)

(iii) Make Good Assets and Provisions

AASB 116 *Property plant and equipment* requires the cost of dismantling and removing items and restoring sites to be included as a cost of an asset. This includes the effect of make good clauses in lease contracts. These assets are then to be depreciated over the term of the lease.

Costs associated with make good clauses are also recognised as provisions and accounted for in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

The adjustments to total equity represent the recognition of make good assets (net of depreciation) and make good provisions (at present value).

The adjustment to net profit includes the depreciation of the make good asset as well as the expense associated with restating the provision at present value at each reporting date.

(iv) Foreign Currency Translation Reserve

The Ten Group has adopted the election under AASB 1 and reset the balance of the foreign currency translation reserve to zero as at the date of transition. This adjustment has had no impact on equity, but reduces the value of the foreign currency translation reserve and increases retained earnings by \$0.6m.

(v) Revaluation of Television Licence

AASB 138 *Intangible Assets* requires that the television licences in The Ten Group be carried at cost.

This adjustment reverses the revaluation increment of \$751m resulting from the 2002 independent valuation of the television licences. Consequently, a deferred tax charge on the revaluation of \$208m is also reversed. The net of these adjustments, \$543m is adjusted to equity as at 1 September 2004.

The subsequent \$18.4m decrease in deferred tax liabilities recognised in 2005 under AGAAP arising from the enactment of further changes to the tax consolidations legislation has not been recognised under AIFRS for the year ended 31 August 2005 because realisation of the potential deferred tax asset would not be probable. The result is a total net adjustment to equity of \$561.7m as at 31 August 2005.

(vi) Revaluation of Investment

At the Company level, under AASB 127 *Consolidated and Separate Financial Statements*, historical write downs of the Eye Corp investment (\$174.9m) must be reversed, with the higher investment value (\$199.9m) being tested for impairment under AASB 136 *Impairment of Assets*. As a result of this testing, an impairment loss of \$118.1m was recognised as at 1 September 2004.

Impairment testing carried out at 31 August 2005 reduced the impairment loss by \$7.8m to \$110.3m. This has no impact at the Consolidated level.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION**

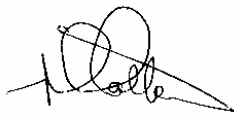
The Directors declare that the financial statements and notes set out on pages 7 to 66:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's and consolidated entity's financial position as at 31 August 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the Company and the subsidiaries identified in Note 29, reference note (i), will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

SIGNED in Sydney on 18 October 2006 in accordance with a resolution of the Directors.



NG Falloon
Chairman

Independent audit report to members of The Ten Group Pty Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of The Ten Group Pty Limited (the Company) and The Ten Group (defined below) for the financial year ended 31 August 2006 included on The Ten Group Pty Limited's web site. The Company's directors are responsible for the integrity of the The Ten Group Pty Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

In our opinion:

The financial report of The Ten Group Pty Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of The Ten Group Pty Limited and The Ten Group (defined below) as at 31 August 2006, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for The Ten Group Pty Limited (the company) and The Ten Group (the consolidated entity), for the year ended 31 August 2006. The consolidated entity comprises both the company and the entities it controlled during the year.

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

Audit approach

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

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

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Our procedures include reading the other information in the Directors' Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

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



PricewaterhouseCoopers



DS Wiadrowski
Partner

Sydney
18 October 2006