

THE TEN GROUP
PTY LIMITED

ANNUAL
REPORT

For the year ended
31 August 2005

ABN 50 057 564 708

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
FOR THE YEAR ENDED 31 AUGUST 2005
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 2005.

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 PD Viner)
 Mr JJ Cowin (Alternate Mr JB Studdy)
 Mr LS Freedman (Alternate Mr NG Falloon^C)
 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 JH McAlpine^A (Alternate Mr NG Falloon)
 Mr R Magid (Alternate Mr NG Falloon)
 Mr BM Sherman (Alternate Mr E Sherman^D)
 Mr TC Strike (Alternate Mr PD Viner)
 Mr PD Viner (Alternate Mr TC Strike)
 Mr J Studdy^B

^A: Mr JH McAlpine resigned as a Director on 30 June 2005.

^B: Mr J Studdy was appointed as a Director on 1 July 2005.

^C: Mr BG Sechos ceased as Alternate Director for Mr LS Freedman on 2 November 2004.
 Mr NG Falloon was appointed Alternate Director for Mr LS Freedman on 2 November 2004.

^D: Mr EP Sherman ceased as Alternate Director for Mr BM Sherman on 17 May 2005.
 Mr NG Falloon was appointed Alternate Director for Mr BM Sherman on 17 May 2005.

Mr NG Falloon ceased as Alternate Director for Mr BM Sherman on 18 May 2005.

Mr BG Sechos was appointed as Alternate Director for Mr BM Sherman on 19 May 2005.

Mr BG Sechos ceased as Alternate Director for Mr BM Sherman on 31 May 2005.

Mr NG Falloon was appointed Alternate Director for Mr BM Sherman on 31 May 2005.

Mr NG Falloon ceased 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.

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:

	2005	2004
	\$'000	\$'000
Earnings before interest, tax, depreciation and amortisation	342,389	287,218
Depreciation	(20,170)	(18,569)
Amortisation	(4,092)	(3,517)
Earnings before interest and tax	318,127	265,132
Subordinated debenture interest	(98,578)	(97,887)
Net interest expense – other	(28,023)	(29,259)
Profit from ordinary activities before income tax	191,526	137,986
Income tax (expense)/revenue	(89,386)	(44,787)
Net profit from ordinary activities after income tax	102,140	93,199
Net loss attributable to outside equity interests	14	21
Net profit attributable to members of the Company	102,154	93,220

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

Dividend

Since the end of the previous financial year a fully franked dividend of 12.7 cents per share (\$59,716,670) was paid on 20 December 2004 and a fully franked dividend of 9.1 cents per share (\$42,982,485) was paid on 4 July 2005 in respect of the results for the period to 30 June 2005. Dividends in respect to the six months to 31 December 2005 will be paid during December 2005.

Review of Operations

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

Significant Changes in the State Of Affairs

On 1 September 2004 Eye Corp Pty Limited, a controlled entity, acquired the remaining 50% of the Eye Village Joint Venture (now called Eye Shop Pty Limited) and plant and equipment previously held by Village Roadshow Project Management Pty Limited.

On 1 July 2005, Eye Corp Pty Limited acquired Southcoast Outdoor Pty Limited (now called Eye Drive Melbourne Pty Limited).

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

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 2005 of the consolidated entity; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2005 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 include 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.

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.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

Environmental Regulations


The consolidated entity is not subject to significant environmental regulations. 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 12 October 2005 in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'NG Falloon', with a long horizontal stroke extending to the right.

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 2005, 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, appearing to read 'Steven Bosiljevac', with a long horizontal line extending to the right from the end of the signature.

Steven Bosiljevac
Partner
PricewaterhouseCoopers

Sydney
12 October 2005

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from ordinary activities	2	954,375	833,136	909,375	823,938
Television costs		(538,296)	(498,532)	(567,296)	(601,297)
Out-of-home costs		(99,227)	(72,251)	-	-
Borrowing costs	3(a)	(127,772)	(127,933)	(99,795)	(99,116)
Share of net profit of associates and joint ventures accounted for using the equity method	26	2,446	3,566	-	-
Profit from ordinary activities before income tax		191,526	137,986	242,284	123,525
Income tax (expense)/revenue	4(a)	(89,386)	(44,787)	(82,345)	(41,124)
Net profit from ordinary activities after income tax		102,140	93,199	159,939	82,401
Net loss attributable to outside equity interests		14	21	-	-
Net profit attributable to members of the Company	24	102,154	93,220	159,939	82,401
Increase in asset revaluation reserve	23	(18,427)	-	-	-
Net exchange difference on translation of financial report of foreign controlled entities	23	132	138	-	-
Total changes in equity from non-owner related transactions attributable to the members of the Company		83,859	93,358	159,939	82,401

The above statements of financial performance should be read in conjunction with the accompanying notes.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
STATEMENTS OF FINANCIAL POSITION
AS AT 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current Assets					
Cash	5	13,918	17,842	1,470	1,886
Receivables	6	149,496	135,721	132,970	127,739
Program rights & inventories	7	135,955	131,476	-	-
Other	8	4,412	3,994	344	344
Total Current Assets		303,781	289,033	134,784	129,969
Non-Current Assets					
Receivables	9	1,646	1,646	599,494	603,464
Program rights & inventories	12	1,523	1,814	-	-
Investments accounted for using the equity method	10	10,258	13,161	-	-
Other financial assets	11	2,528	2,728	74,904	74,904
Property, plant and equipment	13	84,491	82,206	-	-
Intangibles	14	1,163,391	1,152,674	-	-
Other	15	2,007	2,508	1,419	1,762
Total Non-Current Assets		1,265,844	1,256,737	675,817	680,130
Total Assets		1,569,625	1,545,770	810,601	810,099
Current Liabilities					
Payables	16	202,382	222,117	27,384	67,012
Interest-bearing liabilities	17	1,387	1,601	-	-
Current tax liabilities	4(d)	49,365	10,435	48,394	10,430
Provisions	18	22,705	22,188	-	-
Total Current Liabilities		275,839	256,341	75,778	77,442
Non-Current Liabilities					
Payables	19	25,936	33,589	58,065	103,559
Interest-bearing liabilities	20	436,227	432,429	255,629	255,629
Deferred tax liabilities	4(e)	222,043	237,351	222,043	237,351
Provisions	21	1,978	1,926	-	-
Total Non-Current Liabilities		686,184	705,295	535,737	596,539
Total Liabilities		962,023	961,636	611,515	673,981
Net Assets		607,602	584,134	199,086	136,118
Equity					
Contributed equity	22	80,377	74,649	80,377	74,649
Reserves	23	561,894	543,599	6,585	6,585
Retained earnings	24	(34,652)	(34,107)	112,124	54,884
Total parent entity interest		607,619	584,141	199,086	136,118
Outside equity interests in controlled entities	30	(17)	(7)	-	-
Total Equity		607,602	584,134	199,086	136,118

The above statements of financial position should be read in conjunction with the accompanying notes.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Cash and its equivalents					
Cash on hand	5	82	80	-	-
Cash at bank	5	13,836	17,762	1,470	1,886
At end of year		13,918	17,842	1,470	1,886
At beginning of year		17,842	20,982	1,886	2,225
Net cash (outflow)/inflow for the year		(3,924)	(3,140)	(416)	(339)
Represented by:					
Cash Flows from operating activities					
Receipts from customers		1,038,232	905,194	730,602	648,889
Payments to suppliers and employees		(702,303)	(634,336)	(8,981)	(7,647)
Dividends received		1,265	200	-	-
Debt collection fee received		-	-	147,166	132,927
Network fee paid		-	-	(559,062)	(591,801)
Interest received		996	837	26,376	26,376
Bank interest paid		(27,595)	(26,187)	-	-
Income tax received/(paid)					
Prior year refunds received		3,583	2,343	3,583	1,959
Current year payments		(50,391)	(39,842)	(48,665)	(37,893)
Net cash flow from operating activities	36	263,787	208,209	291,019	172,810
Cash Flows from investment activities					
Acquisition of property, plant and equipment		(16,902)	(9,736)	-	-
Proceeds on disposal of property, plant and equipment		9	234	-	-
Payment for purchase of controlled entities & operations net of cash acquired		(18,259)	(175)	-	-
Proceeds on sale of investments (net of cash disposed)		-	71	-	-
Advances/(repayments) from/(to):					
Controlled entities		-	-	(54,965)	26,986
Other		327	(237)	-	-
Net cash flow from investment activities		(34,825)	(9,843)	(54,965)	26,986
Cash Flows from financing activities					
Dividends paid					
Normal Dividend		(102,699)	(85,790)	(102,699)	(85,790)
Special Dividend		-	(25,676)	-	(25,676)
Debenture interest paid		(139,498)	(102,406)	(139,498)	(102,406)
Financing establishment costs paid		-	(977)	-	(977)
Proceeds from exercise of options		5,727	14,714	5,727	14,714
Proceeds from borrowings		345,000	355,000	-	-
Repayment of borrowings		(341,416)	(356,371)	-	-
Net cash flow from financing activities		(232,886)	(201,506)	(236,470)	(200,135)
Net cash (outflow)/inflow for the year		(3,924)	(3,140)	(416)	(339)

The above statements of cash flows 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 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

It is prepared in accordance with the historical cost convention except for certain assets which are at valuation. The accounting policies adopted are consistent with those of the previous year. Comparative information has been reclassified where appropriate to enhance comparability.

(a) 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 25 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. Outside equity interests 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.

(b) 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.

(c) 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.

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 45 days from date of recognition.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005**

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Receivables and Revenue Recognition (continued)

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

(d) 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. The carrying values of television program rights are reviewed on a periodic basis and, where required, written down to their recoverable amount.

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

Other Inventories

All other inventories are carried at the lower of cost and net realisable value.

(e) Property, plant and equipment

Depreciation or amortisation is provided on fixed assets 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 supported by independent valuations conducted at least once every three years. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

	2005	2004
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.

(f) Intangibles

Television Licences

Television licences are measured at fair value based on a Directors' valuation and are supported by an independent valuation received from Grant Samuel & Associates Pty Limited in October 2002. Revaluations are made with sufficient regularity to ensure that the carrying amount of television licences does not differ materially from fair value at the reporting date. Annual assessments are made by the Directors, supplemented by independent assessments at least every three years. The revaluation increments are credited directly to the asset revaluation reserve.

The television licences continue to be subject to Government legislation and regulation by the Australian Broadcasting Authority ("ABA"). 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.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Intangibles (continued)

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 is being amortised on a straight line basis over 20 years.

Directors review goodwill at each reporting date and recognise it as an expense to the extent that future benefits are no longer probable.

(g) Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Associates and Joint Ventures

Investments in associates and joint ventures are carried in the Company's financial statements at the lower of cost and recoverable amount.

Investments in associates and joint ventures are detailed in Note 26 and comprise those investments where the consolidated entity exercises significant influence but not control.

Information determined in accordance with the equity method of accounting is detailed in Note 26 to the financial statements in respect of material investments in associated and joint venture companies. The consolidated entity's equity accounted share of the associates' and joint ventures' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases.

(h) 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.

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.

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.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Recoverable Amount of Non-Current Assets Measured on the Cost Basis

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is written down to its recoverable amount. The write down is recognised as an expense in the reporting period in which it occurs. Where the net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate. The discount rates used ranged from 10%-12% (2004: 10%-12%) depending on the nature of the assets.

(j) 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.

(k) Employee Entitlements

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 and Indonesian statutory severance entitlements 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.

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 32.

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 statement of financial position as share capital.

The Ten Executive Option Plan has been suspended.

Ten Employee Performance Incentive Share Plan

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

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) Cash

For purposes of the statements of cash flows, cash includes cash management deposits at call net of outstanding bank overdrafts.

(n) Interest Bearing Securities

Interest bearing deposits and borrowings are stated at cost with interest income or expense brought to account in the periods to which they relate. Interest expense is accrued at the contracted rate and included in "Payables".

(o) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts, finance lease charges, short-term and long-term borrowings. Ancillary costs incurred in connection with arrangement of borrowings are capitalised and amortised over the period of the loan.

So as to hedge some or all of the financial exposure of the long-term borrowings at variable market determined interest rates, the consolidated entity enters into interest rate swap contracts. The costs of such contracts are brought to account in the periods to which they relate and are included in interest expense.

(p) Provisions

Provisions are recognised when the consolidated entity has a present obligation, 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.

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.

Onerous Contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds unrecognised assets.

(q) Program Development

The consolidated entity's long-term commitment to program planning and development requires significant expenditure on an infrequent basis. Accordingly, where appropriate, amounts are set aside as a charge against revenue to reflect more properly the ongoing nature of these expenses in the periods in which they accrue.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets, regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

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 to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

(s) Foreign Currency Translation

Transactions

Foreign currency transactions are translated at the rate applicable 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 statements of financial performance.

Translation of Controlled Foreign Entities

The assets and liabilities of foreign operations, including associates and joint ventures, that are self-sustaining are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

(t) Web site costs

Costs in relation to web sites controlled by a controlled entity are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the controlled entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which vary from 2 to 5 years.

(u) Maintenance and repairs

The costs of maintenance and repairs are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with Note 1(e).

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Australian equivalents to International Financial Reporting Standards (AIFRS)

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to International Accounting Standards Board (IASB) interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 28 February 2006 and the year ending 31 August 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 September 2004.

The Ten Group Pty Limited has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer and reports to the Audit Committee.

The project team has analysed all of the AIFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. These choices have been analysed to determine the most appropriate accounting policy for the consolidated entity.

The known or reliably estimable impacts of AIFRS are described below. Where material, the expected financial effects on the statements of financial performance and statements of financial position are disclosed. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Business Combinations – AASB 3 – Separation of Intangible assets from Goodwill

The Ten Group will be taking advantage of 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.

AASB 3 requires the identification and separate recognition of intangible assets acquired in a business combination if they are able to be sold independently of the consolidated group or when they arise from contractual or other legal rights.

Eye Corp Pty Limited, a controlled entity acquired the remaining 50% of their Eye Village Joint Venture (now called Eye Shop Pty Limited) on 1 September 2004, and more recently, acquired 100% of Eye Drive Melbourne Pty Limited (formerly Southcoast Outdoor Pty Limited) on 1 July 2005.

If the policy required by AASB 3 had been applied during the year ended 31 August 2005, \$4.4m of previously recognised goodwill would have instead been recognised as intangible assets in relation to rights over leases and amortised over a finite life of 10 to 13 years. For the year ended 31 August 2005, \$0.2m amortisation would have been recognised on these intangible assets.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Australian equivalents to International Financial Reporting Standards (AIFRS) (cont.)

Business Combinations – AASB 3 – Amortisation of Goodwill

Under AASB 3, amortisation of goodwill will be prohibited. This will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit.

This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years.

If the policy required by AASB 3 had been applied during the year ended 31 August 2005, the consolidated goodwill at 31 August 2005 would have been \$3.4m higher and consolidated amortisation expense for the year ended 31 August 2005 would have been lower by the same amount.

Intangible Assets - AASB 138

AASB 138 Intangible Assets requires that intangible assets such as television licences be carried at cost or fair value attributed to them in a business combination. Intangible assets can only be revalued if an active market exists. This requirement is retrospective which means there is no option to use the current carrying value under Australian GAAP as the deemed cost on first time adoption of AASB 138.

On first time adoption the impact to The Ten Group will be that television licences will be reduced by the revaluation increment of \$751m resulting from the 2002 independent valuation. This reduction will also result in the reversal of a deferred tax charge on the revaluation of \$208m. The net of these adjustments, \$543m, will be made to the opening balance of reserves and retained earnings on 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 will not be recognised under AIFRS for the year ended 31 August 2005 because realisation of the potential deferred tax asset would not be probable.

Impairment of Assets – AASB 136

Under AASB 136 Impairment of Assets, The Ten Group will be required to test television licences, property, plant and equipment, goodwill and various other non-current assets for impairment on a discounted cash flow basis either at an individual asset or cash generating unit level. This may lead to increased volatility in future earnings.

At the Company level, under AIFRS (AASB 127 Consolidated and Separate Financial Statements), historical write downs of the Eye Corp investment must be reversed (\$174.9m), with the higher investment value (\$199.9m) being tested for impairment under AASB 136. As a result of this testing, an impairment loss of \$118.1m will be recognised. The net adjustment of \$56.8m will be credited to retained earnings on 1 September 2004. Under AIFRS, the impairment loss will reduce by \$7.8m to \$110.3m for the year to 31 August 2005. This will have no impact at the Consolidated level.

Investments in Associates – AASB 128

Under AASB 128, investments in equity accounted associates are to be restated for AIFRS adjustments recognised by the underlying associates. Television & Media Services Limited (“TMS”), an associate of The Ten Group, are currently assessing the impact of AASB 112 Income Taxes on their ability to recognise tax losses available. Should the whole of such tax losses be recognised by TMS, the carrying value of Ten Network Holdings’ equity accounted associates will increase by \$1.7m, with the corresponding credit posted to opening retained earnings on 1 September 2004.

In addition, goodwill will cease to amortise. Had this policy been applied during the year ended 31 August 2005, investments in equity accounted associates would have been higher by \$0.2m and share in associates’ profit been higher by that same amount.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Australian equivalents to International Financial Reporting Standards (AIFRS) (cont.)

Investments in Associates – AASB 128 (continued)

These investments are then subject to Impairment testing under AASB 136. The results of such testing will be affected by the amount booked in relation to AIFRS adjustments of TMS (discussed above).

Income Taxes – AASB 112

Under AASB 112, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity. The Ten Group elected to early adopt AASB 1020 Income Taxes (released December 1999) with effect from 1 September 2002. This version of AASB 1020 is consistent with the treatment of income taxes under AASB 112.

Temporary differences in relation to indefinite life intangible assets are determined with reference to their respective capital gains tax bases.

Under UIG 1052 Tax Consolidation Accounting, The Ten Group Pty Limited, as the head entity in the tax consolidated group, will be required to recognise the current tax payable of the tax consolidated subsidiaries and deferred tax amounts relating only to tax losses of these subsidiaries. Since entering tax consolidations on 1 July 2003, The Ten Group, has also recognised deferred tax amounts relating to transactions, events and balances of the tax consolidated subsidiaries as if those transactions, events and balances were its own. On 1 September 2004, the Company will derecognise the deferred tax balances relating to tax consolidated subsidiaries (except for those relating to tax losses). This will result in a \$36.1m reduction in deferred tax liabilities at the Company level (in addition to the adjustment arising from AASB 138 discussed above), the corresponding entry affecting intercompany tax receivables/payables. Similarly, as at 31 August 2005, under AIFRS, there will be a \$34.6m reduction in deferred tax liabilities, the corresponding entry affecting intercompany tax receivables/payables. There will be no impact at the Consolidated level.

Financial Instruments – AASB 132 & 139

The Ten Group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 September 2005. This allows the group to apply previous Australian GAAP to the comparative information of financial instruments within the scope of AASB 132 and AASB 139 for the 31 August 2006 report.

Under AASB 132 the current classification of financial instruments issued by entities in the consolidated entity will not change.

Under AASB 139 there may be financial impacts. AASB 139 recognises fair value hedge accounting, cash flow hedge accounting and hedges of investments in foreign operations. Fair value and cash flow hedge accounting can only be considered when effectiveness tests are met on both a prospective and retrospective basis. Ineffectiveness outside the prescribed range precludes the use of hedge accounting, which may result in significant volatility in the statement of financial performance. The Ten Group will carry all derivative contracts, whether used as hedging instruments or otherwise, at fair value in the statement of financial position. A combination of fair value and cash flow hedging will be used in respect of foreign currency and interest rate risk hedges. The use of cash flow hedging may create some volatility in equity reserve balances. The use of fair value hedging may create volatility in earnings. This represents a change from the current accounting policy where derivative contracts are off-balance sheet, with interest revenue and expenses from the derivatives recognised in the profit and loss.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Australian equivalents to International Financial Reporting Standards (AIFRS) (cont.)

Financial Instruments – AASB 132 & 139 (continued)

Loans and receivables and financial liabilities classifications will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

As a result of the application of the exemption referred to above, there would have been no adjustment to classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 31 August 2005. Changes in classification and measurement will be recognised from 1 September 2005.

Property, Plant and Equipment – AASB 116

Under AIFRS the cost of an asset includes the estimated cost of dismantling and removing the asset and restoring the site. This includes make good provisions on leasehold property leases. These costs are recognised as provisions and accounted for in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets. The costs included as an asset will be amortised over the expected life of the lease. Management are yet to quantify the adjustment as a result of this change in accounting policy.

Foreign currency translation reserve: cumulative translation differences

On the initial application of AIFRS, the Group will elect to apply the exemption in AASB 1 relating to the balance of the foreign currency translation reserve. The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve will be deemed to be zero at the date of transition to AIFRS.

As a result of this exemption, the debit balance of the foreign currency translation reserve of the group will decrease by \$0.6m. Retained earnings will also decrease by this amount.

Equity-Based Compensation Benefits – AASB 2

Under AASB 2 Equity-Based Compensation Benefits, benefits to employees will be recognised as an expense in respect of the services received. This is not applicable to shares and options granted prior to November 2002. The Ten Executive Option Plan is currently suspended and no options have been granted since this date. Management does not expect that there will be any significant change in treatment of shares issued under the Long-Term Incentive Share Plan.

Leases – AASB 117

Under AASB 117, lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Management are still assessing the impact of this change in accounting policy.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
2 REVENUE FROM ORDINARY ACTIVITIES					
Revenue from Operating Activities					
Sales revenue		953,195	831,930	735,833	664,635
Debt collection fees	33	-	-	147,166	132,927
Revenue from Outside the Operating Activities					
Interest					
Controlled entity	33	-	-	26,376	26,376
Other		1,171	787	-	-
Gross proceeds on sale of investments		-	174	-	-
Gross proceeds on sale of property, plant and equipment		9	234	-	-
Foreign exchange gain		-	11	-	-
Total Revenue from Ordinary Activities		954,375	833,136	909,375	823,938

3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

(a) Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:

Loss on sale of property, plant and equipment		8	21	-	-
Profit on sale of investments		-	(517)	-	-
Net foreign currency (gains)/losses		6	(11)	-	-
Network fee paid to controlled entity	33	-	-	559,062	591,801
Net bad and doubtful debts, including movements in provision for doubtful debts		290	90	-	-
Operating lease rentals					
Minimum lease payments		39,537	39,525	-	-
Contingent rental expense		27,802	11,163	-	-
Borrowing costs					
Subordinated debentures	33	98,578	97,887	98,578	97,887
Related entities		-	-	871	941
Other		29,194	30,046	346	288
		127,772	127,933	99,795	99,116

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

Consolidated		The Company	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX (continued)

(b) Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items (continued):

Depreciation and amortisation of property, plant & equipment				
Plant and equipment	19,341	17,838	-	-
Leasehold improvements	353	245	-	-
Buildings	258	258	-	-
Leased plant and equipment	484	716	-	-
Amortisation				
Goodwill	3,380	2,805	-	-
Other intangibles	712	712	-	-

4 INCOME TAX

(a) Income tax expense

Current income tax expense	89,298	33,708	82,464	31,321
Deferred income tax expense	88	12,702	(119)	11,902
Prior year adjustments				
Withholding tax refund	-	(1,959)	-	(1,959)
Other	-	336	-	(140)
	<u>89,386</u>	<u>44,787</u>	<u>82,345</u>	<u>41,124</u>

Attributable to:

Profit from ordinary activities	<u>89,386</u>	<u>44,787</u>	<u>82,345</u>	<u>41,124</u>
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Deferred income tax expense/(revenue) included in income tax expense comprises:

Decrease in deferred tax assets	-	108	-	-
(Decrease)/increase in deferred tax liabilities	88	12,594	(119)	11,902
	<u>88</u>	<u>12,702</u>	<u>(119)</u>	<u>11,902</u>

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
4 INCOME TAX (continued)				
(b) Reconciliation of income tax to prima facie tax payable				
Profit before tax	191,526	137,986	242,284	123,525
Tax at the Australian tax rate 30%	57,458	41,396	72,685	37,058
Increase in income tax expense is due to:				
Non deductible expenditure				
Debenture interest	29,573	4,121	29,573	4,121
Amortisation	1,228	1,055	-	-
Other	741	374	394	321
Decrease in income tax expense is due to:				
Prior year adjustments				
Withholding tax refund	-	(1,959)	-	(1,959)
Other	1,551	336	1,457	(140)
Tax settlement	-	-	-	-
Tax benefit on losses transferred from controlled entities	-	-	-	-
Tax borne on behalf of entities in the tax consolidated group	-	-	(21,340)	1,723
Other	(1,165)	(536)	(424)	-
	<u>89,386</u>	<u>44,787</u>	<u>82,345</u>	<u>41,124</u>
Profit before tax – tax consolidated group (excluding parent entity)			(52,548)	13,617
Tax at the Australian tax rate 30%			(15,764)	4,085
Non deductible expenditure:				
Amortisation			1,183	888
Other			(13)	29
Prior year adjustments			47	91
Tax consolidated group adjustments			<u>21,340</u>	<u>(1,723)</u>
Income tax expense – tax consolidated group (excluding parent entity)			<u>6,793</u>	<u>3,370</u>
			89,138	44,494
Tax benefit on losses transferred on implementation of tax consolidations			-	-
	<u>89,386</u>	<u>44,787</u>	<u>89,138</u>	<u>44,494</u>
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Deferred tax- credited directly to equity	(18,427)	-	-	-
	<u>(18,727)</u>	-	-	-
(d) Current tax liabilities/(receivables)				
Provision for income tax	49,365	10,435	48,394	10,430

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
4 INCOME TAX (continued)					
(e) Deferred tax liabilities					
The balance comprises temporary differences attributable to:					
The balance comprises temporary differences attributable to:					
Trade debtors		(204)	(212)	(204)	(212)
Provision for doubtful debts and advertising credits		(2,042)	(1,828)	(2,042)	(1,828)
Interest receivable		12	19	12	19
Television licences		189,671	208,098	189,671	208,098
Program rights		43,200	45,088	43,200	45,088
Property, plant and equipment		3,329	3,444	3,329	3,444
Capitalised costs		(442)	(520)	(442)	(520)
Lease liability		(595)	(1,011)	(595)	(1,011)
Trade creditors and accruals		(4,588)	(5,943)	(4,588)	(5,943)
Provisions		(5,877)	(6,333)	(5,877)	(6,333)
Tax losses		(421)	(3,451)	(421)	(3,451)
Net deferred tax liability		<u>222,043</u>	<u>237,351</u>	<u>222,043</u>	<u>237,351</u>
The potential deferred tax asset not brought to account is:					
Tax losses		521	521	-	-
Temporary differences		<u>5,071</u>	<u>5,071</u>	<u>47,771</u>	<u>47,771</u>

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 Ten Group Pty Limited, as the head entity in the tax consolidation group, recognises current and deferred 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 and deferred tax amounts arising in relation to its own transactions, events and balances. 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).

On adoption of AIFRS on 1 September 2005 and in accordance with UIG 1052 Tax Consolidation Accounting, The Ten Group Pty Limited will derecognise the deferred tax balances relating to tax consolidated subsidiaries (except for those relating to tax losses). The corresponding entry will be posted to intercompany tax receivables/payables. There will be no impact at the consolidated level.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
5 CASH					
Cash on hand		82	80	-	-
Cash at bank		13,836	17,762	1,470	1,886
	31	<u>13,918</u>	<u>17,842</u>	<u>1,470</u>	<u>1,886</u>

6 RECEIVABLES (CURRENT)

Trade debtors		155,426	142,065	134,812	130,462
Provisions for doubtful debts and advertising credits		(6,191)	(6,749)	(1,842)	(2,723)
		<u>149,235</u>	<u>135,316</u>	<u>132,970</u>	<u>127,739</u>
Loans and advances					
Associated companies	33	2	2	-	-
Other		259	403	-	-
		<u>261</u>	<u>405</u>	<u>-</u>	<u>-</u>
	31	<u>149,496</u>	<u>135,721</u>	<u>132,970</u>	<u>127,739</u>

7 PROGRAM RIGHTS & INVENTORIES (CURRENT)

Program rights		135,556	130,947	-	-
Other inventories		399	529	-	-
		<u>135,955</u>	<u>131,476</u>	<u>-</u>	<u>-</u>

8 OTHER ASSETS (CURRENT)

Prepayments and sundry debtors		4,068	3,650	-	-
Capitalised borrowing costs		344	344	344	344
		<u>4,412</u>	<u>3,994</u>	<u>344</u>	<u>344</u>

9 RECEIVABLES (NON-CURRENT)

Loans and advances					
Associated companies	33	686	686	-	-
Other		960	960	-	-
Controlled entities					
Debentures	33	-	-	80,800	80,800
Other	33	-	-	518,694	522,664
	31	<u>1,646</u>	<u>1,646</u>	<u>599,494</u>	<u>603,464</u>

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Associates	26(a),33	10,207	9,312	-	-
Joint ventures	26(b),33	51	3,849	-	-
		<u>10,258</u>	<u>13,161</u>	<u>-</u>	<u>-</u>

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
11 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	33	-	-	69,337	69,337
Associated companies	33	2,119	2,119	-	-
Other	31	409	609	-	-
		<u>2,528</u>	<u>2,728</u>	<u>74,904</u>	<u>74,904</u>
12 PROGRAM RIGHTS & INVENTORIES (NON-CURRENT)					
Program rights		<u>1,523</u>	<u>1,814</u>	<u>-</u>	<u>-</u>
13 PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
At cost		<u>5,188</u>	<u>5,188</u>	<u>-</u>	<u>-</u>
Freehold buildings					
At cost		9,728	9,728	-	-
Accumulated depreciation		(2,517)	(2,259)	-	-
		<u>7,211</u>	<u>7,469</u>	<u>-</u>	<u>-</u>
Leasehold improvements					
At cost		6,727	5,293	-	-
Accumulated depreciation		(1,350)	(1,004)	-	-
		<u>5,377</u>	<u>4,289</u>	<u>-</u>	<u>-</u>
Plant and equipment					
At cost		206,575	185,762	-	-
Accumulated depreciation		(141,292)	(122,418)	-	-
		<u>65,283</u>	<u>63,344</u>	<u>-</u>	<u>-</u>
Leased Plant and Equipment					
At cost		6,817	6,817	-	-
Accumulated depreciation		(5,385)	(4,901)	-	-
		<u>1,432</u>	<u>1,916</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment					
Net book value		<u>84,491</u>	<u>82,206</u>	<u>-</u>	<u>-</u>

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

13 PROPERTY, PLANT AND EQUIPMENT (continued)

	Consolidated	The Company
	2005	2005
	\$'000	\$'000
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Freehold buildings		
Balance at beginning of year	7,469	-
Additions	-	-
Depreciation	(258)	-
Balance at end of year	7,211	-
Leasehold improvements		
Balance at beginning of year	4,289	-
Additions	1,452	-
Foreign currency exchange differences	(11)	-
Depreciation	(353)	-
Balance at end of year	5,377	-
Plant and equipment		
Balance at beginning of year	63,344	-
Additions	15,765	-
Disposals	(30)	-
Additions through acquisition of entities (Note 25(b))	5,614	-
Foreign currency exchange differences	(69)	-
Depreciation	(19,341)	-
Balance at end of year	65,283	-
Leased plant and equipment		
Balance at beginning of year	1,916	-
Additions	-	-
Foreign currency exchange differences	-	-
Depreciation	(484)	-
Balance at end of year	1,432	-

Valuations of Land and Buildings

While land and buildings are carried at cost, an independent valuation was performed by International Valuation Consultants in October 2002. The basis of the land and buildings' independent valuation was fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Land and buildings were valued at \$15.9m for the consolidated group, compared to \$12.4m carried at cost.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
14 INTANGIBLES					
Television licences		1,077,822	1,077,822	-	-
Other licences – cost		26,500	29,500	-	-
Accumulated amortisation		(3,336)	(2,624)	-	-
		23,164	26,876	-	-
Goodwill – cost		263,230	245,421	-	-
Writedown of goodwill		(172,451)	(172,451)	-	-
Accumulated amortisation		(28,374)	(24,994)	-	-
		62,405	47,976	-	-
		1,163,391	1,152,674	-	-
15 OTHER ASSETS (NON-CURRENT)					
Capitalised borrowing costs		1,419	1,762	1,419	1,762
Other		588	746	-	-
		2,007	2,508	1,419	1,762
16 PAYABLES (CURRENT)					
Trade creditors		178,453	156,536	9,406	8,853
Unearned income		1,636	2,425	-	-
Accrued interest					
Related entity	33	17,978	58,159	17,978	58,159
Other		4,315	4,997	-	-
	31	202,382	222,117	27,384	67,012
17 INTEREST-BEARING LIABILITIES (CURRENT)					
Lease liabilities	29,31	1,387	1,601	-	-
		1,387	1,601	-	-
18 PROVISIONS (CURRENT)					
Employee entitlements	32	13,714	12,837	-	-
Surplus lease space		153	249	-	-
Deferred settlement		3,000	3,000	-	-
Onerous contracts		3,210	3,515	-	-
Other		2,628	2,587	-	-
		22,705	22,188	-	-

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
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18 PROVISIONS (CURRENT) (continued)

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 – 2005					
Current					
Carrying amount at beginning of year	249	3,000	3,515	2,587	9,351
Additional provisions recognised	-	-	1,028	99	1,127
Payments	-	-	-	(58)	(58)
Reductions from remeasurement	(96)	-	(1,333)	-	(1,429)
Carrying amount at end of year	153	3,000	3,210	2,628	8,991

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
19 PAYABLES (NON-CURRENT)					
Trade creditors		25,417	33,070	3	3
Loans					
Related entities		519	519	-	-
Other creditors and accruals					
Controlled entity	33	-	-	58,062	103,556
	31	25,936	33,589	58,065	103,559

20 INTEREST-BEARING LIABILITIES (NON-CURRENT)

Bank loan	31	180,000	175,000	-	-
USD senior unsecured notes	31	210,084	210,084	210,084	210,084
Debentures					
Subordinated	31,33	45,500	45,500	45,500	45,500
Convertible	31,33	45	45	45	45
Lease liabilities	29,31	598	1,800	-	-
		436,227	432,429	255,629	255,629

21 PROVISIONS (NON-CURRENT)

Employee entitlements	32	1,978	1,926	-	-
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22 CONTRIBUTED EQUITY

Paid up capital					
472,335,000 ordinary shares fully paid (2004:					
469,545,000)		80,377	74,649	80,377	74,649

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.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Asset revaluation		562,658	544,231	6,585	6,585
Foreign currency translation		(764)	(632)	-	-
		<u>561,894</u>	<u>543,599</u>	<u>6,585</u>	<u>6,585</u>

Movements during the year

Asset revaluation					
Balance at beginning of year		544,231	544,231	6,585	6,585
Increment from changes in tax consolidations legislation		18,427	-	-	-
Balance at end of year		<u>562,658</u>	<u>544,231</u>	<u>6,585</u>	<u>6,585</u>
Foreign currency translation					
Balance at beginning of year		(632)	(494)	-	-
Net translation adjustment		(132)	(138)	-	-
Balance at end of year		<u>(764)</u>	<u>(632)</u>	<u>-</u>	<u>-</u>

Nature and purpose of reserves

Asset Revaluation

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation to independent valuations in 1995 of land and buildings and a Directors' valuation of television licences in 2002.

Foreign currency translation

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, as disclosed in accounting policy Note 1(s).

24 RETAINED EARNINGS

Retained earnings at beginning of year		(34,107)	(15,947)	54,884	83,949
Adjustments to opening retained earnings					
Disposal of self-sustaining foreign operations		-	86	-	-
Adjusted retained earnings at the beginning of the financial year		<u>(34,107)</u>	<u>(15,861)</u>	<u>54,884</u>	<u>83,949</u>
Net profit attributable to members of the Company		102,154	93,220	159,939	82,401
Dividends paid		(102,699)	(111,466)	(102,699)	(111,466)
Retained earnings at end of year		<u>(34,652)</u>	<u>(34,107)</u>	<u>112,124</u>	<u>54,884</u>

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

25 CONTROLLED ENTITIES

	Ordinary Share	
	Consolidated Entity Interest	
	2005	2004
	%	%
Particulars in relation to controlled entities		
Parent entity		
The Ten Group Pty Limited		
Controlled entities		
Ten Pay TV Pty Limited [^]	-	100
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	-
Eye Drive Sydney No. 2 Pty Limited (ii)*	100	100
Pimington Pty Limited (ii)*	100	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 (iv)	100	50
Eye Shop New Zealand Limited	100	50
Eye Corp New Zealand Limited	100	100
Eye Corp Asia Limited	100	100
PT Netra Estha Muda	95	95
PT Agung Bali	67	67
PT Estha Yudha Ekatama (iii) (v)	-	-
Eye Corp Media Pty Limited	100	100
Adval Holdings Pty Limited	100	100
Adval Australia Pty Limited	100	100
Eye Corp Asia Pty Limited	100	100

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

- Eye Corp Asia Limited (incorporated in Mauritius);
- 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); and
- Eye Shop New Zealand Limited (incorporated in New Zealand on 7 December 2000).

*: In liquidation

[^]: Deregistered on 12 October 2004.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

25 CONTROLLED ENTITIES (continued)

- (i) Refer to Note 37 for details of The Ten Group Pty Limited Deed of Cross Guarantee.
- (ii) Refer to Note 37 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 and a 70% beneficial ownership interest in PT Agung Bali.
- (iv) On 1 September 2004 Eye Corp Pty Limited acquired the remaining 50% of the Eye Village Joint Venture (now called Eye Shop Pty Limited). In prior years, this investment was equity accounted.
- (v) PT Estha Yudha Ekatama was formerly named PT Eye Corp.

(b) Acquisition of controlled entities

In the period from 1 September 2004 to 31 August 2005 there has been two acquisitions:

- i. On 1 September 2004, Eye Corp Pty Limited, a controlled entity, acquired the remaining 50% of the Eye Village Joint Venture (now called Eye Shop Pty Limited) and plant and equipment previously held by Village Roadshow Project Management Pty Limited.
- ii. On 1 July 2005, Eye Corp Pty Limited, a controlled entity, acquired 100% of Southcoast Pty Limited (now called Eye Drive Melbourne Pty Limited).

Details of the acquisition are as follows:

	Consolidated	
	2005	2004
	\$'000	\$'000
Fair value of net assets of entity acquired:		
Property, plant and equipment	5,614	-
Future income tax benefit	-	-
Cash assets	1,491	-
Inventories	-	-
Trade debtors	4,660	-
Investments	-	-
Intangibles	-	-
Other assets	235	-
Bank overdraft	(55)	-
Bank loans	-	-
Trade creditors	(117)	-
Net loans payable	(167)	-
Other provisions	-	-
Other liabilities	(1,403)	-
	10,258	-
Investment value at acquisition	(3,827)	-
	6,431	-
Goodwill on acquisition	14,808	-
Consideration (cash)	21,239	-

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Consideration	21,239	-	-	-
Cash acquired	1,436	-	-	-
	19,803			
Deferred consideration	1,544			
Outflow of cash	18,259	-	-	-

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Share of net profits accounted for using the equity method included in the statement of financial performance					
Associates	26(a)	2,386	1,241	-	-
Joint ventures	26(b)	60	2,325	-	-
		<u>2,446</u>	<u>3,566</u>	<u>-</u>	<u>-</u>

(a) Investments in equity accounted associates

Name	Principal Activity/ Note	Balance Date	Ownership interest		Consolidated Amount of investment		The Company Amount of investment	
			2005 %	2004 %	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Held by Eye Corp Asia Limited								
Big Tree Outdoor Sdn Bhd	(i)	31 Dec	30.0	30.0	2,931	3,245	-	-
Held by The Ten Group Pty Limited								
Television & Media Services Ltd	(ii)	30 Jun	24.3	24.3	7,276	6,067	-	-
					<u>10,207</u>	<u>9,312</u>	<u>-</u>	<u>-</u>

The principal activities of the associated companies are:

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

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Results attributable to associates				
Profits from ordinary activities before income tax	3,027	1,859	-	-
Income tax expense	(481)	(458)	-	-
Profits from ordinary activities after income tax	<u>2,546</u>	<u>1,401</u>	-	-
Goodwill amortisation	(160)	(160)	-	-
	2,386	1,241		
Retained profits attributable to associates at the beginning of the financial year	<u>3,783</u>	<u>2,542</u>	-	-
Retained profits attributable to associates at the end of the financial year	<u>6,169</u>	<u>3,783</u>	-	-
Reserves attributable to associates				
<i>Foreign Currency Translation Reserve</i>				
Share of associates' reserve at beginning of year	(920)	(556)	-	-
Share of decrement in associates' reserve	(256)	(364)	-	-
Share of associates' reserve at end of year	<u>(1,176)</u>	<u>(920)</u>	-	-

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
(a) Investments in equity accounted associates (continued)				
Movements in carrying amount of investments				
Carrying amount at the beginning of the financial year	9,312	8,635	-	-
Investments in associates acquired during the year	-	-	-	-
Share of profits from ordinary activities after income tax	2,546	1,401	-	-
Goodwill amortisation	(160)	(160)	-	-
Dividends received/receivable	(1,235)	(200)	-	-
Share of decrement in associates' reserve	(256)	(364)	-	-
Carrying amount at the end of the financial year	<u>10,207</u>	<u>9,312</u>	-	-
Financial position of associates				
The consolidated entity's share of aggregate assets and liabilities of associates is as follows:				
Current assets	4,638	4,094	-	-
Non-current assets	11,555	13,868	-	-
Total assets	<u>16,193</u>	<u>17,962</u>	-	-
Current liabilities	(3,227)	(3,586)	-	-
Non-current liabilities	(5,586)	(8,050)	-	-
Total liabilities	<u>(8,813)</u>	<u>(11,636)</u>	-	-
Net assets	<u>7,380</u>	<u>6,326</u>	-	-
Share of associates' expenditure commitments (some as at 30 June)				
Capital commitments	142	46	-	-
Lease commitments	9,323	7,367	-	-
	<u>9,465</u>	<u>7,413</u>	-	-

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 2005

26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Investments in joint venture companies

Name	Principal Activity/ Note	Balance Date	Ownership interest		Consolidated Amount of investment		The Company Amount of investment	
			2005 %	2004 %	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Held by Eye Corp Pty Limited								
Eye Shop Pty Limited*	(i)	30 Jun	100.0	50.0	-	3,827	-	-
Eye Outdoor Pty Limited	(ii)	31 Aug	50.0	50.0	51	22	-	-
					<u>51</u>	<u>3,849</u>	-	-

The principal activities of the joint venture companies are:

- (i) Internal advertising in shopping centres.
- (ii) Outdoor advertising.

*: On 1 September 2004, Eye Corp Pty Limited acquired the remaining 50% of the Eye Village Joint Venture (now called Eye Shop Pty Limited). This investment is now consolidated under AASB 1024. Refer Note 25.

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Results attributable to joint ventures				
Revenues	218	9,589	-	-
Expenses	(137)	(7,229)	-	-
Profits from ordinary activities before income tax	81	2,360	-	-
Income tax expense	(21)	(35)	-	-
Profits from ordinary activities after income tax	60	2,325	-	-
Retained profits attributable to joint ventures at the beginning of the financial year [#]	22	268	-	-
Retained profits attributable to joint ventures at the end of the financial year	82	2,593	-	-

Reserves attributable to joint ventures

Foreign Currency Translation Reserve

Share of joint ventures' reserve at beginning of year [#]	-	14	-	-
Share of increment in joint ventures' reserve	(1)	(3)	-	-
Share of joint ventures' reserve at end of year	(1)	11	-	-

Movements in carrying amount of investments

Carrying amount at the beginning of the financial year [#]	22	1,527	-	-
Carrying amount of joint ventures equity accounted for the first time	-	-	-	-
Investments in joint ventures acquired during the year	-	-	-	-
Share of profits from ordinary activities after income tax	60	2,325	-	-
Dividends received/receivable	(30)	-	-	-
Share of increment in joint ventures' reserve	(1)	(3)	-	-
Carrying amount at the end of the financial year	51	3,849	-	-

[#]: The balance at the beginning of the year relates to the investment in Eye Outdoor Pty Limited. The Eye Village Joint Venture (now called Eye Shop Pty Limited) is no longer accounted for using the equity method as it is 100% owned by Eye Corp Pty Limited.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Investments in joint venture companies (continued)

	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Financial position of joint ventures				
The consolidated entity's share of aggregate assets and liabilities of joint ventures is as follows:				
Current assets	63	2,924	-	-
Non-current assets	29	1,593	-	-
Total assets	<u>92</u>	<u>4,517</u>	-	-
Current liabilities	(41)	(668)	-	-
Non-current liabilities	-	-	-	-
Total liabilities	<u>(41)</u>	<u>(668)</u>	-	-
Net assets	<u>51</u>	<u>3,849</u>	-	-
Share of joint ventures' expenditure commitments				
Capital commitments	-	-	-	-
Lease commitments	182	248	-	-
	<u>182</u>	<u>248</u>	-	-

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 2005

Consolidated		The Company	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

27 DIRECTORS' REMUNERATION

Income paid or payable, or otherwise made available, to Directors of the Company and controlled entities by entities in the consolidated entity and related parties in connection with the management of affairs of the Company or its controlled entities

	7,578	5,065	6,799	4,350
--	-------	-------	-------	-------

	2005		2004	
--	-------------	--	-------------	--

The number of Directors of the Company whose income from the Company or any related party falls within the following bands:

\$'000	-	\$'000		
0	-	10	3	3
10	-	20	7	8
20	-	30	4	3
1,440	-	1,450	-	1
2,460	-	2,470	1	-
2,710	-	2,720	-	1
4,140	-	2,150	1	-

Note	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

28 AUDITORS' REMUNERATION

Audit and other assurance services:

Auditors of the Company – PwC

Audit or review of financial reports

	433	417	-	-
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Other audit related work

	66	95	-	-
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Other assurance services

	84	64	-	-
--	----	----	---	---

Other Auditors – Gilbert Smith Johnson

Audit or review of financial reports

	29	-	-	-
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	<u>612</u>	<u>576</u>	<u>-</u>	<u>-</u>
--	------------	------------	----------	----------

Other services:

Auditors of the Company – PwC

Advisory services

	11	-	-	-
--	----	---	---	---

Taxation

	437	359	-	-
--	-----	-----	---	---

Other Auditors – Gilbert Smith Johnson

Advisory services

	10	-	-	-
--	----	---	---	---

	<u>458</u>	<u>359</u>	<u>-</u>	<u>-</u>
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	<u>1,070</u>	<u>935</u>	<u>-</u>	<u>-</u>
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The auditors' remuneration attributable to the Company is borne by a controlled entity.

29 COMMITMENTS

Note	Consolidated		The Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

(a) Capital expenditure commitments

Amounts contracted but not provided for:

No later than one year

	3,807	2,935	-	-
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Later than one year and not later than five years

	-	498	-	-
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	<u>3,807</u>	<u>3,433</u>	<u>-</u>	<u>-</u>
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THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

29 COMMITMENTS (continued)

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
(b) Program expenditure commitments					
Amounts contracted but not provided for:					
No later than one year		69,673	62,008	-	-
Later than one year and not later than five years		121,424	98,820	-	-
		<u>191,097</u>	<u>160,828</u>	-	-
(c) Non-cancellable operating lease commitments					
Minimum lease payments contracted but not provided for:					
No later than one year		40,176	36,234	-	-
Later than one year and not later than five years		110,104	76,410	-	-
Later than five years		83,831	41,975	-	-
		<u>234,111</u>	<u>154,619</u>	-	-
Less: Total future minimum sub lease payments receivable		-	-	-	-
		<u>234,111</u>	<u>154,619</u>	-	-
(d) Finance lease commitments					
Finance lease commitments are payable:					
No later than one year		1,497	1,604	-	-
Later than one year and not later than five years		624	2,162	-	-
		<u>2,121</u>	<u>3,766</u>	-	-
Less: Total future finance charges		136	365	-	-
		<u>1,985</u>	<u>3,401</u>	-	-
Represented by:					
Current	17	1,387	1,601	-	-
Non-current	20	598	1,800	-	-
		<u>1,985</u>	<u>3,401</u>	-	-

(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.

30 OUTSIDE EQUITY INTERESTS

	Consolidated	
	2005 \$000	2004 \$000
Outside equity interests in controlled entities comprise:		
Interest in share capital	-	-
Interest in reserves	-	(47)
Interest in retained earnings at the end of the financial year	(17)	40
Total outside equity interests	<u>(17)</u>	<u>(7)</u>

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

31 FINANCIAL INSTRUMENTS

	Note	Fixed interest maturing in:				Non-interest bearing \$'000	Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
2005 – Consolidated							
<i>Financial assets</i>							
Cash	5	13,836	-	-	-	82	13,918
Receivables	6,9	-	-	-	-	151,142	151,142
Investments	11	-	-	-	-	409	409
		13,836	-	-	-	151,633	165,469
<i>Financial liabilities</i>							
Payables	16,19	-	-	-	-	228,318	228,318
Bank overdrafts and loans	20	180,000	-	-	-	-	180,000
USD senior unsecured notes	20	210,084	-	-	-	-	210,084
Subordinated debentures	20	45,500	-	-	-	-	45,500
Convertible debentures	20	45	-	-	-	-	45
Lease liabilities	17,20	-	1,387	598	-	-	1,985
		435,629	1,387	598	-	228,318	665,932
Net financial assets (liabilities)		(421,793)	(1,387)	(598)	-	(76,685)	(500,463)
Interest rate swaps *		(255,000)	25,000	170,000	60,000	-	-
Weighted average interest rate		6.27%	5.95%	5.69%	5.79%	N/A	
2004 – Consolidated							
<i>Financial assets</i>							
Cash	5	17,762	-	-	-	80	17,842
Receivables	6,9	-	-	-	-	137,367	137,367
Investments	11	-	-	-	-	609	609
		17,762	-	-	-	138,056	155,818
<i>Financial liabilities</i>							
Payables	16,19	-	-	-	-	255,706	255,706
Bank overdrafts and loans	17,20	175,000	-	-	-	-	175,000
USD senior unsecured notes	17	210,084	-	-	-	-	210,084
Subordinated debentures	20	45,500	-	-	-	-	45,500
Convertible debentures	20	45	-	-	-	-	45
Lease liabilities	17,20	-	1,601	1,800	-	-	3,401
		430,629	1,601	1,800	-	255,706	689,736
Net financial assets (liabilities)		(412,867)	(1,601)	(1,800)	-	(117,650)	(533,918)
Interest rate swaps *		(250,000)	35,000	165,000	50,000	-	-
Weighted average interest rate		6.30%	5.95%	5.73%	5.80%	N/A	

* Notional principal amounts

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

31 FINANCIAL INSTRUMENTS (continued)

The terms and conditions of financial instruments at balance date are:

	Security	Facility \$'000	Used at Balance Date	Unused at Balance Date	Period to Maturity
Bank loan	Unsecured	700,000	180,000	520,000	3 years (i)
USD senior unsecured notes	Unsecured	210,084	210,084	-	8 years (ii)
Bank guarantee	Unsecured	10,000	205	9,795	On demand – Note (v)
Bank guarantee	Secured	2,465	2,371	94	On demand – Note (vi)
Subordinated debentures	Unsecured	45,500	45,500	-	38 years – Note (iii)
Convertible debentures	Unsecured	45	45	-	33 years – Note (iv)
Interest swap contracts	Unsecured	255,000	255,000	-	Up to 9 years

Notes:

- (i) In December 2003, The Ten Group Pty Limited, a controlled entity, refinanced its \$700m Syndicated Loan Facility to expire December 2008.
- (ii) 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.
- (iii) 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 to the extent that convertible debentures have to be converted. Since inception of the subordinated debentures, The Ten Group Pty Limited has claimed a tax deduction for the interest paid on the debentures each year. As part of the settlement reached with the Australian Taxation Office during the previous year, The Ten Group Pty Limited received debenture interest tax deductions until 30 June 2004.
- (iv) 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.
- (v) Eye Corp Australia Pty Limited has a bank guarantee facility of \$10.0m with Westpac for securing site concessions. This bank guarantee is supported by guarantees of payment from The Ten Group Pty Limited.
- (vi) Eye Corp Australia Pty Limited has a bank guarantee facility of \$2.5m with ANZ for securing site concessions. This bank guarantee is supported by guarantees of payment from The Ten Group Pty Limited and Eye Corp Pty Limited and its subsidiaries. It is secured by a fixed and floating charge over all assets of Eye Corp Pty Limited and its Australian subsidiaries.

Off-balance sheet financial assets and liabilities

Except for the interest rate swap contracts and the foreign currency swap contract in note (ii) above, the consolidated entity has no other off-balance sheet financial assets and liabilities.

Interest rate risk exposures

The consolidated entity enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating. Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates.

Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised in the balance sheet is the carrying amount, net of any provisions for doubtful debts.

Net fair value of financial assets and liabilities

The net fair value of financial assets and liabilities of the consolidated entity is their carrying value. For equity investments, the net fair value is an assessment by the Directors based on any special circumstances pertaining to a particular investment.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
32 EMPLOYEE ENTITLEMENTS					
Employee benefit and related on-costs liabilities					
Provision for employee benefits - current	18	13,714	12,837	-	-
Provision for employee benefits – non-current	21	1,978	1,926	-	-
		15,692	14,763	-	-
Number of employees					
Number of employees at year end		1,243	1,227	-	-

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. At balance date total options remaining on issue amounted to 250,000. These options are exercisable subject to performance hurdles at a price of \$2.25 over the next year. All issued options are also subject to various vesting date arrangements. As of balance date, 250,000 options may be exercised, due to hurdle and vesting date preconditions having been met.

During the year ended 31 August 2005, 665,000 options were exercised at a price of \$2.41 per share, 250,000 options were exercised at a price of \$2.25 per share and 1,875,000 options were exercised at a price of \$1.90 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 and 2004 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.

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

	Note	Consolidated		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
33 RELATED PARTY INFORMATION					
Ownership interest in related entities					
Controlled entities	11	-	-	69,337	69,337
Associated companies- equity accounted	10,26(a)	10,207	9,312	-	-
- other	11	2,119	2,119	-	-
Joint venture companies	10,26(b)	51	3,849	-	-
		12,377	15,280	69,337	69,337
Dividends					
Dividends to controlling entities		86,636	93,909	86,636	93,909
Amounts receivable from/(payable to) related entities					
Controlled entities					
Receivable	9	-	-	599,494	603,464
Payable	19	-	-	(58,062)	(103,556)
		-	-	541,432	499,908
Associated companies					
Receivable	6,9	688	688	-	-
Related entities					
Payable	16	(17,978)	(58,159)	(17,978)	(58,159)
Subordinated debentures	20	(45,500)	(45,500)	(45,500)	(45,500)
Convertible debentures	20	(45)	(45)	(45)	(45)
		(63,523)	(103,704)	(63,523)	(103,704)

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

Financial transactions with related entities

Entity's name	Note	Nature of transaction at normal commercial terms
Between controlled entities:		
Network Ten Pty Limited	2	Interest on loans \$26.4m (2004: \$26.4m)
Eye Corp Pty Limited		Purchase of Out-of-home advertising by Network Ten Pty Limited of \$0.3m (2004: \$0.2m)
Eye Corp Pty Limited		Rental income charged by Network Ten Pty Limited, Network Ten (Adelaide) Pty Limited and Network Ten (Perth) Pty Limited of \$0.1m (2004: \$0.1m)
Eye Corp Pty Limited		Loan from The Ten Group Pty Limited of \$83.9m (2004: \$74.6m)
Network Ten Pty Limited	2,3	Debt collection fee revenue of \$112.8m (2004: \$101.9m)
Network Ten (Adelaide) Pty Limited	2,3	Management fees of \$481.5m (2004: \$510.5m)
Network Ten (Perth) Pty Limited	2,3	Debt collection fee revenue of \$15.3m (2004: \$13.7m)
		Management fees of \$35.5m (2004: \$36.8m)
Network Ten (Perth) Pty Limited	2,3	Debt collection fee revenue of \$19.1m (2004: \$17.3m)
		Management fees of \$42.0m (2004: \$44.5m)
With related entities:		
CanWest Global Communications Corp. (Group)	3	Interest on subordinated and convertible debentures \$98.6m (2004: \$97.9m)

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

33 RELATED PARTY INFORMATION (continued)

Financial transactions with related entities (continued)

Entity's name	Note	Nature of transaction at normal commercial terms
Television & Media Services Limited (Equity accounted associate)		Facilities, Crew and Studio Hire of \$22.1m (2004: \$17.9m)

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.

During the financial year, a controlled entity of the Company entered into a consultancy agreement with Memwane Pty Limited on normal commercial terms and conditions. Mr J McAlpine, the Director of Memwane Pty Limited was a Director of the Company until 30 June 2005.

Loans to/from Directors

There were no loans to Directors of controlled entities during the current period.

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 \$735.8m (2004: \$664.6m). Management fees payable by the Company to controlled entities under the agreements totalled \$559.1m (2004: \$591.8m). Debt collection fees are also collected by the Company totalling \$147.2m (2004: \$132.9m).

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 2005 had a beneficial interest of 84.40% (2004: 84.31%) and an economic interest of 42.99% (2004: 42.82%).

34 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:

	Consolidated		The Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Unsecured guarantees by the parent entity and consolidated entity in respect of leases of controlled entities	40,885	43,706	40,680	43,706
Secured guarantees by the parent entity and consolidated entity in respect of leases of controlled entities	2,371	1,890	-	-
	43,256	45,596	40,806	43,706

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

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

35 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.

Primary reporting – business segments

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	980	200	-	1,180
Total revenue	839,122	115,681	(428)	954,375
Segment Result				
Result	314,917	25,026	-	339,943
Share of associates' and joint ventures' profit	1,212	1,234	-	2,446
EBITDA	316,129	26,260	-	342,389
Depreciation	(15,385)	(4,785)	-	(20,170)
Amortisation	-	(4,092)	-	(4,092)
EBIT	300,744	17,383	-	318,127
Borrowing costs				(127,772)
Interest revenue				1,171
Profit before tax				191,526
Income tax expense				(89,386)
Net Profit after tax				102,140
Depreciation and amortisation	15,385	8,877	-	24,262
Assets				
Segment assets	1,416,573	140,675	-	1,557,248
Investments in associates and joint ventures	9,395	2,982	-	12,377
Consolidated total assets				1,569,625
Liabilities				
Segment liabilities	935,329	26,694	-	962,023
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 2005

35 SEGMENT INFORMATION (continued)

2004	Television \$'000	Out-of-home \$'000	Eliminations/ Unallocated \$'000	Consolidated \$'000
Revenue				
Sales to external customers	755,663	76,267	-	831,930
Inter-segment sales	116	207	(323)	-
Total sales revenue	755,779	76,474	(323)	831,930
Other revenue	895	311	-	1,206
Total revenue	756,674	76,785	(323)	833,136
Segment Result				
Result	271,756	11,896	-	283,652
Share of associates' and joint ventures' profit	335	3,231	-	3,566
EBITDA	272,091	15,127	-	287,218
Depreciation	(14,544)	(4,025)	-	(18,569)
Amortisation	-	(3,517)	-	(3,517)
EBIT	257,547	7,585	-	265,132
Borrowing costs	-	-	-	(127,933)
Interest revenue	-	-	-	787
Profit before tax	-	-	-	137,986
Income tax expense	-	-	-	(44,787)
Net Profit after tax	-	-	-	93,199
Depreciation and amortisation	14,544	7,542	-	22,086
Assets				
Segment assets	1,421,642	108,848	-	1,530,490
Investments in associates and joint ventures	8,186	7,094	-	15,280
Consolidated total assets	-	-	-	1,545,770
Liabilities				
Segment liabilities	938,107	23,529	-	961,636
Acquisitions of non-current assets	7,238	2,473	-	9,711

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

Consolidated		The Company	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

36 NOTES TO THE STATEMENTS OF CASH FLOWS

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

Net profit from ordinary activities after income tax	102,140	93,199	159,939	82,401
Non-cash revenue	(2,446)	(3,566)	-	-
Non-cash expenses	25,343	23,248	-	-
Dividends from associates	1,265	200	-	-
Loss on sale of non-current assets	8	21	-	-
Profit on sale of investments	-	(517)	-	-
Debenture interest	98,578	97,887	98,578	97,887
Amount paid from provisions	769	(1,310)	-	-
Net increase in tax provisions	42,577	7,288	41,083	8,227
Net increase/(decrease) in accrued revenue and expense items in payables/(receivables)	(4,447)	(8,241)	(8,581)	(15,705)
Net cash flow from operating activities	263,787	208,209	291,019	172,810

37 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 25, 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 25, 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 2005

	Consolidated	
	2005	2004
	\$'000	\$'000
37 DEED OF CROSS GUARANTEE (continued)		
Abridged Statement of financial performance		
<i>Profit/(loss) from ordinary activities before income tax</i>	174,269	130,800
Income tax benefit/(expense) relating to ordinary activities	(83,531)	(42,791)
<i>Profit/(loss) from ordinary activities after income tax</i>	90,738	88,009
Retained profits at the beginning of year	(7,436)	16,021
Dividends provided or paid	(102,699)	(111,466)
<i>Retained earnings at end of year</i>	(19,397)	(7,436)
Statement of financial position		
Cash assets	4,730	14,520
Receivables	129,080	123,238
Inventories	135,556	130,947
Other	3,130	3,072
<i>Total current assets</i>	272,496	271,777
Receivables	83,044	71,697
Inventories	1,523	1,814
Investments accounted for using the equity method	7,276	6,067
Other financial assets	27,119	27,119
Property, plant and equipment	61,239	64,467
Intangibles	1,077,823	1,077,823
Other	2,481	1,762
<i>Total non-current assets</i>	1,260,505	1,250,749
<i>Total assets</i>	1,533,001	1,522,526
Pavables	186,433	211,171
Current tax liabilities	48,392	9,123
Provisions	14,917	14,318
<i>Total current liabilities</i>	249,742	234,612
Pavables	-	6,591
Interest-bearing liabilities	435,630	430,630
Deferred tax liabilities	222,043	237,351
Provisions	1,978	1,926
<i>Total non-current liabilities</i>	659,651	676,498
<i>Total liabilities</i>	909,393	911,110
<i>Net assets</i>	623,608	611,416
Contributed equity	80,377	74,649
Reserves	562,628	544,203
Retained earnings	(19,397)	(7,436)
<i>Total Equity</i>	623,608	611,416

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005

38 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
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%
2004					
December dividend paid					
Normal dividend	9.7	45,282	19 December 2003	30%	100%
Special dividend	5.5	25,676	19 December 2003	30%	100%
June dividend paid	8.627	40,508	30 June 2004	30%	100%

The Company

2005	2004
\$'000	\$'000

Dividend franking account

Franking credits (30%) available for the subsequent financial year	25,446	37,080
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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;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at reporting date; and
- (d) franking credits that may be prevented from being distributed in the subsequent year.

39 SUBSEQUENT EVENTS

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 2005 of the consolidated entity; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2005 of the consolidated entity.

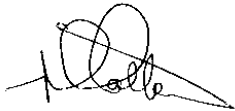
The Directors declare that the financial statements and notes set out on pages 7 to 47:

- (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 2005 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 25, 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 12 October 2005 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 2005 included on The Ten Group Pty Limited's web site. The Company's directors are responsible for the integrity of 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 2005, 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, cash flow statements, accompanying notes to the financial statements, and the directors' declaration for both The Ten Group Pty Limited (the Company) and The Ten Group (the consolidated entity), for the year ended 31 August 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. 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 of their performance as represented by the results of their operations and cash flows.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, 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 Annual 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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



PricewaterhouseCoopers



SJ Bosiljevac
Partner

Sydney
12 October 2005