

Prime Television Limited
2006 Annual Report

PRIME

“There’s nothing stronger than a local tie.”

PRIME TELEVISION LIMITED
ABN 97 000 764 867

Directors: Paul J Ramsay AO (Chairman), Michael S Siddle (Deputy Chairman),
Peter J Evans, Terry Jackman AM, Alex Hamill

Chief Executive Officer: Warwick Syphers

*Prime Television. A media
and informs its audiences,
its local communities, via
Delivering local news, local weather,*

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*company which entertains
building relationships with
television, radio and online
local traffic, local programs, local personalities...*



CHAIRMAN'S ADDRESS

“On behalf of the Directors of Prime Television Limited, I am pleased to present the Annual Report covering the 2006 financial year.”

Paul Ramsay AO,
Chairman



In the year under review, Prime Television recorded a profit, after tax, of \$30.5 million, which included a profit of \$6.5 million following the sale of our New Zealand business in February 2006. Notwithstanding this significant item, the profit after tax from our continuing operations was \$28.9 million, which was a 9.7% increase over the prior year. A more detailed review of our financial performance is included in our Chief Executive Officer's report, which follows.

The past several years have been a period of significant achievement and repositioning of Prime, and in the 2006 financial year we began to realise the benefits of our strategy. We have divested our loss-making operations in New Zealand, commenced a profitable regional radio division in Australia, and extended our Affiliation Agreement with the Seven Network following their outstanding success in recent years, which is set to continue with the resumption of AFL coverage to augment its existing strong program schedule. This positions Prime very well to take advantage of any opportunities that may arise from the Government's foreshadowed media law changes.

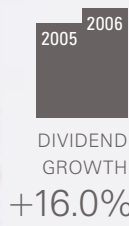
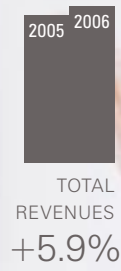
As the affiliate broadcast partner of the Seven Network in Australia, we have been delighted with the continued resurgence in ratings performance of the network in 2006. As I've commented in previous reports, we believe that the Seven Network has unmatched strength in its senior management team, programming resources and focus on free-to-air television in Australia, in addition to benefiting from a committed major shareholder in Mr Kerry Stokes.

Prime continues to be mindful of the challenges inherent in a rapidly developing digital media landscape. To that end, we have recently implemented several initiatives in this area, in particular, the formation of Prime Digital Media in collaboration with several senior industry professionals to fast-track our entry into this exciting new media area. We will continue to add resources to our senior management team, as appropriate, in order to exploit opportunities as they arise.

In recognition of the continued strong performance of the Company, the Directors increased the full year dividend in 2006 to 14.5 cents per share fully franked, an increase of 16% over the previous year. The Board remains focussed on implementing best practice in all areas of corporate governance in order to retain the trust and confidence of the investment community.

The Board also wishes to acknowledge the efforts of all our executives and employees in producing the strong result for the Company and its shareholders in the past year. We continue the transition to full digital broadcasting with its many challenges and opportunities, and we look forward to the future with confidence.

Paul Ramsay AO, Chairman



“...we love the haka and the tennis... bring it on!”

- 1. Lleyton Hewitt at the US Open Tennis Championship
- 2. George Gregan captains Australia against New Zealand in the 2006 Bledisloe Cup



CHIEF EXECUTIVE OFFICER'S REPORT

Review of Financial Performance

As noted in the accompanying Summarised Income Statement, the Company's operating performance in the year under review was strong, recording a net profit after tax of \$30.5 million, which was 34% higher than the prior year. The result included a gain of \$6.5 million from the sale of the New Zealand operations in February 2006. After adjusting for this event and related trading losses in New Zealand prior to the sale, the net profit after tax from continuing operations was \$28.8 million, which represented an increase of 9.7% over the prior year.



SUMMARISED INCOME STATEMENT

YEAR ENDED 30 JUNE	2006 \$000	2005 \$000	CHANGE %
Broadcast revenues	190,619	182,607	+4.5%
Other revenues	16,674	13,195	
Total revenues	207,293	195,802	+5.9%
EBITDA before significant item	58,308	53,953	+8.1%
Significant item:			
Gain on sale of New Zealand business	6,489	–	
EBITDA	64,797	53,953	
Depreciation and amortisation	(11,082)	(10,546)	+5.1%
EBIT	53,715	43,407	+23.7%
Borrowing costs	(10,879)	(9,384)	+15.9%
Profit before tax	42,836	34,023	
Tax (expense)	(12,342)	(11,365)	
Profit after tax	30,494	22,658	+34.6%
Full year dividend per share	14.5 cents	12.5 cents	+16.0%
Full year earnings per share	24.5 cents	18.3 cents	+33.9%

SEGMENT RESULTS

	REVENUE		EBIT	
	2006 \$M	2005 \$M	2006 \$M	2005 \$M
Australia – TV	186.6	172.1	50.5	47.1
Australia – Radio	7.3	–	1.6	–
New Zealand	13.4	23.7	1.6	(3.7)
Total	207.3	195.8	53.7	43.4

Warwick Syphers,
Chief Executive Officer

Review of Operations

Australia

Total advertising revenues in Australia grew 11.5% including a first time contribution from the Company's radio stations, which Prime assumed ownership of in September 2005.

Underlying revenue growth for the television network was 7%, a strong result notwithstanding that the prior period included the Athens Olympics. This compares favourably to the overall growth in regional markets in which Prime operates, of approximately 2%, and evidences that Prime continues to achieve share gains through the improved ratings performance of Seven Network programming.

However, the rate of improvement in Prime's overall ratings slightly lags that of the Seven Network in metropolitan markets, and management remains focussed on redressing this differential.

During the year, negotiations were conducted with the Seven Network with a view to extending the current Affiliation Agreement which was due to expire in 2009. The terms of an extended agreement for a further 10 years were agreed to commence from 2005/06, and increased programming charges taken in the 2006 year reflect the new agreement. This is our third Affiliation Agreement with the Seven Network since the commencement of "aggregation" in regional television in 1989, and we believe that the new agreement will deliver significant future benefits and provide extended visibility to facilitate network planning and development.

We are very encouraged by the depth and quality of Seven's future programming which includes leading Australian television series such as *Dancing with the Stars*, *Border Security* and *Medical Emergency*, together with a powerful slate of international programs such as *Desperate Housewives*, *Lost*, *Grey's Anatomy* and *Prison Break*.

Seven's dominance in News and Current Affairs and morning television is augmented by Prime's strength in local news which remains a key strategic focus for both the television and radio networks.

We also look forward to the resumption of AFL coverage in 2007, coupled with the V8 Supercars which will deepen Seven's existing strengths in sports coverage and, importantly, provide a boost to Prime's winter schedule from 2007. We are delighted to continue our long-running association with the Seven Network.

During the year, the Company also commenced a new digital service with WIN TV to provide a third commercial television service in Mildura, Victoria. Prime's share of the associated start up losses is included in the reported results. We expect the operation to take a further full period of start up losses of a similar magnitude before reaching break even.

Radio

Revenues for the 10 months of operations of the radio network were \$7.3 million. In the second half, a combination of severe weather conditions in far North Queensland and a static advertising market kept growth rates subdued, and compressed operating margins. Expenditures were well controlled, enabling the business to generate an EBITDA contribution of \$1.8 million during the period under review.

We are pleased with the performance of the radio division given Prime's first year of ownership after having been readied for sale for a significant period. We are confident that the business will continue to develop and achieve operating margins comparable to the sector leaders.

New Zealand

In February 2006, the Company finalised the sale of its New Zealand business to Sky Network Television Limited giving rise to a net profit on sale of \$6.5 million, which has been recognised as a significant item. The EBIT loss for the seven months of operations prior to the sale was \$4.9 million.

A feature of the sale was that the Company retained the tax losses accrued during Prime's period of operations of the business. However, these are not brought to account as an asset due to the recognition requirement that there be virtual certainty of recovery of the losses. Management continues to evaluate opportunities to utilise these tax losses in an appropriate manner.

Current Period Developments

Digital Media Expansion

Prime is mindful of the challenges inherent in a developing digital media landscape. Strategically, management is focussed on opportunities to leverage our existing assets and brand strength into new media opportunities. To that end, Prime has partnered with several senior industry professionals and prominent operators such as Telstra, via their Digital Media Solutions group to form "Prime Digital Media" to focus on the development, deployment and management of in-store digital signage networks, and provide advertising content, consumer information, staff training and media sales. The Company will focus initially on four major retail channels: consumer electronics; health and wellbeing; hardware; and hospitality, and has secured a number of retail network clients in both Australia and New Zealand.

The Company is headed by Michael Harms who has most recently worked as a senior director of George Patterson Y & R and has previously held other senior executive positions in media including Managing Director of Channel 7 Melbourne.

Prime will continue to seek like opportunities in new media and internet related businesses to provide additional structural growth drivers in future periods.

Government Legislation

The Federal Government has recently announced a proposed package of media law changes, elements of which may provide expansion opportunities for the Company. We support the position of the Seven Network in seeking the continuation of the current "anti-siphoning" regime for free-to-air operators which recognises the vital role that free-to-air television plays in ensuring continued access by our audiences to events of national significance.

I would like to acknowledge the valuable contribution of our senior management team and all our staff who continue to drive Prime to new levels of success, and position the Company to face the future with confidence.

CHIEF OPERATING OFFICER'S REPORT

“A year that saw revenue growth well above the market average, radio acquisitions, community partnerships recognition, programming gains and the continued roll out of our digital infrastructure.”

Doug Edwards,
Chief Operating Officer



Sales Performance

The 2006 financial year has returned an outstanding sales performance right across Prime's television advertising markets.

After a slow start from national advertisers, the momentum grew across all Prime's markets to finish FY06 with revenue growth of 7.0%, well above the market average of 2.0%.

This growth helped boost Prime's share of advertising revenue to its highest levels in several years.

An increased focus by our Business Development Unit on our inventory usage has contributed to this growth and will ensure we have the capacity to accommodate similar levels of growth in the coming years.

Community Partnerships

As a strong advocate of corporate responsibility, Prime sees direct community support as one of our most important business activities.

Prime's community involvement reflects our values and our commitment to the future prosperity of the regional communities in which we live and operate.

Prime has many long-term and successful partnerships with major community organisations such as Vision Australia, Cancer Council, Kidsafe Australia, NSW State Emergency Service, Rural Ambulance Victoria, Victoria Police, and the Royal Flying Doctor Service of WA, to name just a few.

Prime's commitment to the ongoing prosperity of our community has been recognised over the past 12 months, with a number of prestigious awards including:

- National and NSW State winner, Prime Minister's Award for Excellence in Community Business Partnerships
- Making a Difference Award, Vision Australia
- 2006 Media Award, Wesley Mission's annual Spirit of Mission Community Awards
- Outstanding Media Service Award, NSW Water Safety Awards.

Prime Engineering

A key focus for our Engineering division has been the continuing rollout of digital transmission capabilities across the TV network.

During FY06, we have commissioned 16 new digital transmitters in NSW, Vic, ACT and Qld. Around 90% of viewers in our East Coast coverage areas now have access to Prime's digital broadcasts, providing exceptional picture and sound quality through our High Definition and Standard Definition digital signals.

In the year ahead, 26 new digital transmitters will be commissioned, with the digital rollout on the East Coast targeted for completion by June 2008.

In WA, the rollout of digital television awaits the passage of a small piece of enabling legislation through the Federal Parliament. It is hoped the required amendment to the Digital Conversion Act will be passed by both Houses of Parliament in the Spring sittings this year, clearing the way to begin the digital rollout in WA towards the end of the 2007 calendar year.

Prime's Engineering division also has played a key role in planning for the further development of Prime Radio. Advance planning has begun for the establishment of a hub transmission facility in Townsville to provide administration, technical, operational and production support for the entire Prime Radio network. Planning is also under way for the relocation of our Rockhampton radio station, 4RO, to new, modern and more suitable premises.

*“...I enjoy the news,
but ‘Dancing with the Stars’ is
my favourite...”*



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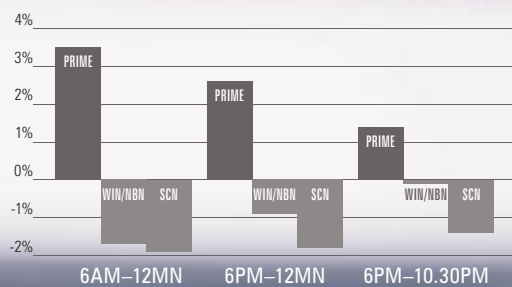


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Clockwise from top left

1. Safety awareness campaign between Prime and the Victorian Police Service
2. Prime Television received the *Making a Difference Award* from Vision Australia
3. Prime Television and SES promoting water safety
4. Prime Television and the South Coast division of General Practice received the *Prime Minister's Award for Excellence in Community Business Partnerships* for their 'Good health messages' campaign

*“I love the drama
but can't miss my morning
‘Sunrise’...”*



Ratings Improvement
JUNE HALF VS DECEMBER HALF

Prime News

Prime News (GWN News in our WA broadcast areas) continues to dominate television ratings in each of our local news markets. In every case, more viewers in our local news markets choose Prime (GWN) News than any other source of local news and information.

Throughout 2006, Prime has continued with a program to equip all our News operations with state-of-the-art digital newsgathering and broadcast equipment, keeping us at the cutting edge of 21st century technology, optimising the efficiency and performance of News.

Each day, across New South Wales, Victoria, the Australian Capital Territory, Western Australia and the Gold Coast area of Queensland, Prime (GWN) broadcasts six main local news bulletins, 66 local news updates, and 54 local weather updates.

Every day, more regional Australians get their morning news and information from Mel and Kochie and the *Sunrise* team. This strength in breakfast television is a key launch pad for our evening news bulletins.

With local news from Prime & GWN, combined with national and international coverage in our broadcasts on relay of *Seven News* and *Today Tonight*, as well as local community information in our daily Infonet segments, Prime is able to provide a comprehensive and complete coverage of the events that matter to our viewers, whether those events are unfolding across the globe or just around the corner.

Prime Programs

The 2006 financial year has continued to deliver steady ratings growth. We have recorded a 3.5% improvement (6am–12mn) from the first half to the second as our homegrown programming becomes more and more popular with viewers. Australian-made programs such as *Dancing With The Stars* and *Medical Emergency* have become key programming success stories, while *Border Security* is our number one regular program for the period.

We have been able to deliver our audience the best in every genre. *All Saints* has continued to shine as one of Australia’s most loved dramas, regularly winning its time slot with an enormous 40 episodes per year. Add to this the strength of our international hit dramas including *Lost*, *Desperate Housewives*, *Prison Break* and *Grey’s Anatomy*, and we are enjoying tremendous depth in our programming schedule.

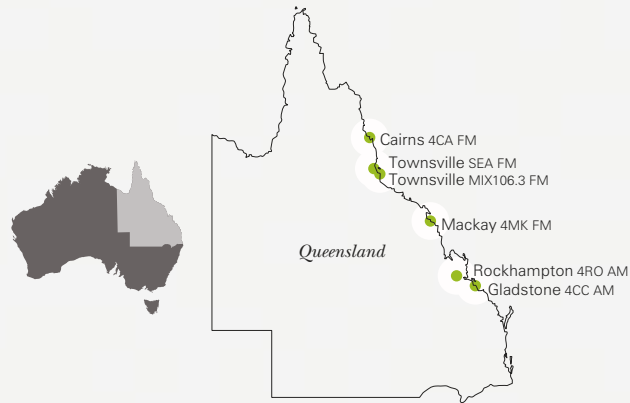
From 2007 Prime will add two more major sports to its schedule, with the return of AFL and V8 Supercars. With our International Rugby and Australian Open Tennis, Prime is set to be a formidable force in sports broadcasting for the years ahead.

2006 has been a great year for Prime, as we consolidated the enormous ratings gains of 2005. And our outlook for 2007 is bright, with even more exciting new programs coming on stream. Programs such as the ground-breaking Australian program *The Force*, with incredible behind-the-lines access to day-to-day Police operations, and new international dramas such as *Criminal Minds* and *Bones*, are already showing a positive influence heading into the new year.

Left to right

1. Melissa Doyle and David Koch — *Sunrise*
2. Andrew O’Keefe — *Deal or No Deal*
3. Daryl Somers and Sonia Kruger — *Dancing with the Stars*
4. Jennifer Hawkins — *The Great Outdoors*
5. Doug Hogan — *Prime News, Wagga*





*“...the sports –
I look forward to the
regular updates...”*



Prime Radio

With the purchase of six radio stations in five of regional Queensland's coastal centres during FY06, Prime has emerged as a significant player in the regional radio market.

Prime Radio operates "Heritage" stations in Cairns, Mackay and Gladstone, a "Talk" format in Rockhampton, and "Rock" and "Hot AC" stations in Townsville. All of these markets are buoyant and experiencing steady growth in population as Australians continue to embrace the "Sea change" trend.

The first year in the life of Prime Radio has been full of challenges, some of them expected, while others have literally blown us away. Cyclone Larry, a Category 5 cyclone, left behind a national disaster when it roared across North Queensland.

The disaster also provided an opportunity for our radio stations to do what they do best and engage the community with up-to-the-minute information on weather, road conditions, power supplies and emergency services. Feedback on our stations' involvement from various segments of the community, has been very complimentary.

A year after the purchase, Prime has a network of stations that are relevant to their audiences, that have developed key community partnerships, evolved a culture as an employer of choice and delivered healthy revenue returns.

The next year will see Prime Radio forge ahead with plans to increase local programming, improve the standard of premises, incorporate the next generation of IT and broadcast technology and grow advertising revenues.

Our Staff

At Prime we are very aware of the value our people bring to our organisation. In the past 12 months, we have undertaken a number of initiatives with this in mind:

- Staff surveys, feedback and employee focus groups have enabled us to enhance employee engagement and develop a number of programs to create a strong, team-oriented work environment for Prime's people.
- A formal mentoring program, to assist new employees as they settle into the workplace during the first eight weeks of employment.
- The Prime Scholarship Fund, providing staff with monetary assistance for ventures including elite sports, personal development and the arts.
- An online compliance training system, which provides staff with standard training modules such as OH&S, as well as standardised induction material for all new employees regardless of location
- The Employee of the Quarter program recognises team members who have consistently performed at high levels. Employees are nominated by their peers.



DIRECTORS' REPORT

Your Directors submit their report
for the year ended 30 June 2006.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

NAMES, QUALIFICATIONS, EXPERIENCE
AND SPECIAL RESPONSIBILITIES

**1 Paul Joseph Ramsay AO
(Chairman)**

Mr Ramsay is chairman of the Paul Ramsay Group of companies, which have operated for more than 45 years in real estate, health care and communications. He is the chairman and majority shareholder of Ramsay Health Care Limited. Mr Ramsay is currently a director of the George Gregan Foundation, the Youth Mental Health Advisory Board and The Australian Science Media Centre.

During the past three years, Mr Ramsay has also served as a director of the following listed companies:

- Ramsay Health Care Limited (current chairman)
- Becker Group Limited (current)

**2 Michael Stanley Siddle⁽¹⁾
(Deputy Chairman)**

Mr Siddle has been deputy chairman of the Paul Ramsay Group since 1967. He is deputy chairman of Ramsay Health Care Limited and has been a director of Prime Television since 1985.

During the past three years, Mr Siddle has also served as a director of the following listed company:

- Ramsay Health Care Limited (current deputy chairman)

3 Peter John Evans FCA⁽¹⁾⁽²⁾

Mr Evans is a Chartered Accountant, and was in public practice for almost 20 years as a partner in an international accounting firm before becoming a sole practitioner. He has been a director of the Paul Ramsay Group since 1987.

During the past three years, Mr Evans has also served as a director of the following listed company:

- Ramsay Health Care Limited (current)

4 Patrick Terry Jackman AM⁽²⁾

Mr Jackman has 40 years experience in the entertainment industry. Formerly he held the positions of managing director of Hoyts Theatres Limited, chief executive of Birch, Carroll and Coyle Limited, and chairman of Indycar Australia and Tourism Queensland. Mr Jackman is currently sole proprietor of Pacific Cinemas Pty Ltd, one of Australia's largest privately owned cinema exhibition groups. He is currently chairman of Sunland Group Limited and is a director of the Australian Rugby Union.

During the past three years, Mr Jackman has also served as a director of the following listed company:

- Sunland Group Limited (current)

5 Alexander Andrew Hamill⁽¹⁾⁽²⁾

Mr Hamill has worked in marketing and advertising in Australia and globally for over 45 years. He is currently on the board of Ideaworks Advertising and McGrath Real Estate. He is the chairman of the John MacLean Foundation and patron of the Dymocks Literacy Foundation. Mr Hamill was the media director of the Australian Olympic Team in Sydney (2000) and Athens (2004) and will attend Beijing (2008) in the same role.

During the past three years, Mr Hamill has not served as a director of any other listed companies.

**Ronald John Cotton AM – FCPA
(resigned 2 September 2005)**

Mr Cotton was a director of Prime Television for 14 years between 1991 and 2005.

Mr Cotton is a life member of the Australian Society of CPAs, having served as National President and represented Australia on the World Board (IFAC) for many years.

During the past three years, Mr Cotton has also served as a director of the following listed companies:

- Knights Insolvency and Administration Limited (resigned June 2006)
- Admerex Limited (resigned June 2005)

**Chief Executive Officer****Warwick Syphers LLB CPA**

Mr Syphers was appointed Chief Executive Officer of the Company in August 2005. Mr Syphers has approximately 25 years industry experience having joined STW 9 in Perth in 1982 and has held senior management positions with Prime Television since joining the company in 1987. He was appointed Chief Financial Officer in March 2003 and Group General Manager in March 2004. Mr Syphers was Company Secretary from March 2003 until September 2006, having previously held the role from 1988 to 1995. He has been a Certified Practising Accountant for over 20 years.

Company Secretaries**Andrew Cooper CA**

Mr Cooper was appointed as Company Secretary in June 2005. He has been a Chartered Accountant for the past 12 years and currently holds the role of Group Finance Manager for the Prime Television Group.

Susan Howie CPA

Ms Howie was appointed as Company Secretary on 25 September 2006. Ms Howie has been a CPA for 10 years and has held the role of Senior Accountant with the Company since 2001.

⁽¹⁾ Denotes member of the Audit Committee

⁽²⁾ Denotes member of the Remuneration Committee

DIRECTORS' REPORT
(CONTINUED)



Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of Prime Television Limited were:

	ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
PJ Ramsay	51,262,780	–
MS Siddle	10,210	–
PJ Evans	5,000	–
PT Jackman	–	–
AA Hamill	–	–

Interests in contracts or proposed contracts with the Company

No Director has any interest in any contract or proposed contract with the Company other than as disclosed elsewhere in this report.

Earnings per share

	CENTS
Basic earnings per share	24.5
Basic earnings per share – continuing operations	23.2
Diluted earnings per share	24.5
Diluted earnings per share – continuing operations	23.2

Dividends

	CENTS	\$'000
Final dividends recommended: on ordinary shares	8.0	9,997
Dividends paid in the year:		
<i>Interim for the year</i>		
on ordinary shares	6.5	8,119
<i>Final for 2005 shown as recommended in the 2005 report</i>		
on ordinary shares	7.0	8,704
		16,823

Principal activity

The principal activity of the economic entity has been the operation of commercial television and radio stations.

DIRECTORS' REPORT (CONTINUED)

Operating and financial review

Operating Results for the Year

The consolidated profit of the economic entity after providing for income tax was \$30,494,000 (2005: profit \$22,658,000).

Review of Operations

Advertising revenue from continuing operations increased in the period by 11.4%, however, this included a first-time contribution from radio operations which commenced in September 2005. Underlying television revenues increased by 7% exceeding overall growth in regional markets. Revenues from the acquired radio businesses met the expectations of the Company.

CONTINUING OPERATIONS

The continuing operations of the Company reflect a 9.7% increase in net profit after tax. Gross revenues from continuing operations increased by 12.7%, while cost increases were kept to low-mid single-digit increases in most areas except for transmission cost increases arising from the continued rollout of digital broadcasting. Costs within the acquired radio operations were maintained within management expectations.

DISCONTINUING OPERATIONS

On 8 February 2006, the Group finalised the sale of its New Zealand television business, as a result of which, the Group realised a gain on disposal of A\$6.5 million.

Risk management

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

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

issues and risks identified by the Board as a whole, and the sub-committee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that Management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk; and
- Implementation of Board-approved operating plans and budgets, and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

Significant changes in the state of affairs

On 1 September 2005, the economic entity acquired the business assets of six radio stations in North Queensland.

On 8 February 2006, the economic entity completed the disposal of its New Zealand television business to Sky Network Television Limited.

Significant events after the balance date

None.

Likely developments and expected results

The Directors and Management will continue to seek growth in the existing and related businesses so as to optimise the returns to shareholders.

Environmental regulation and performance

The economic entity's operations are subject to various environmental regulations in the countries in which it has a presence.

In each of the countries, the economic entity has established an environmental management system in each jurisdiction, which monitors compliance with existing environmental regulations and new regulations as they are enacted. The management system includes procedures to be followed, in

conjunction with actions to be taken by third parties, should an incident occur which adversely impacts the environment. The economic entity's operations hold all relevant licences and permits and have implemented monitoring procedures to ensure that it complies with licence conditions.

The Directors are not aware of any breaches of any legislation during the financial year, which are material in nature.

Share options

Unissued shares

As at the date of this report, there were 625,000 unissued ordinary shares under options (625,000 as at balance date). Refer to Note 27 of the financial statements for further details of the options outstanding.

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

Shares issued as a result of the exercise of options

During the financial year, employees have exercised the option to acquire 119,000 fully paid ordinary shares in Prime Television Limited at a weighted average exercise price of \$1.97.

Indemnification and insurance of Directors and officers

In accordance with the Corporations Act 2001, the Directors disclose that the Company has a Directors' and Officers' Liability policy covering each of the Directors and certain executive officers for liabilities incurred in the performance of their duties and as specifically allowed under the Corporations Act 2001. The premiums in respect of the policy are payable by the Company. The terms of the policy specifically prohibit the disclosure of any other details relating to the policy and therefore the Directors are not disclosing further particulars relating thereto.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and Executives of Prime Television Limited.

Remuneration policy

The remuneration policy of Prime Television Limited has been established within a framework that ensures alignment of director and executive objectives with those of shareholders and the general business objectives of the Company.

Remuneration Committee

The Remuneration Committee of the Board of Directors determines and reviews the remuneration packages and employment conditions applicable to executive directors and the senior management staff.

Salaries are customarily set prior to the commencement of an operating period. In making these determinations, regard is had to comparable industry or professional salary levels, and to the specific performance of the individuals concerned. The Chairman of the Remuneration Committee makes recommendations in this respect to the full Board.

Currently there are no executive directors on the Board.

Employee Share Incentive Scheme

The economic entity has in place an Executive Share Option Scheme. At two Annual General Meetings (1992 and 1995), shareholders have given approval to the terms of the Prime Television Share Option Scheme presented to the meetings. Participation in the Scheme is available to any Director of the parent entity and any person who is in the employment of the economic entity. Recommendations in respect of allocations of share options under the Scheme are made by the Remuneration Committee, for approval by the Board. In accordance with the Listing Rules of the Australian Stock Exchange, options proposed to be issued to executive directors are submitted for approval by shareholders in general meeting.

The total number of Options on issue by the parent entity shall not at any time exceed five per cent (5%) of the parent entity's total number of ordinary shares on issue of which the total number of Options on issue by the parent entity to Directors of the parent entity shall not exceed two point five per cent (2.5%) of the total number of ordinary shares on issue.

Remuneration structure

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

Non-Executive Director remuneration

Objective

The remuneration of Non-Executive Directors is determined by the Board as a whole. The Board seeks to set aggregate remuneration at a level which provides the Company with an ability to attract and retain directors of the highest caliber, within a cost that is acceptable to shareholders.

Structure

As per the Company's Constitution and the ASX Listing Rules, the total quantum of Non-Executive Directors' fees is subject to the approval of shareholders in General Meeting. The last aggregate increase in annual remuneration was approved by shareholders in November 2005, when shareholders approved an aggregate remuneration of \$550,000 per annum (excluding superannuation).

The Directors' Retirement Plan, approved by shareholders in November 1997, applies currently to the independent directors Mr Terry Jackman and Mr Alex Hamill.

Details of the nature and amount of each element of the remuneration received by each Non-Executive Director of the Company is outlined in Table 1 on page 17 of this report.

Executive Director and senior manager remuneration

Objective

The remuneration of executive directors and senior managers is determined by the Remuneration Committee of the Board.

The Company seeks to reward executives with a level and mix of remuneration commensurate with their positions and responsibilities within the Company so as to:

- align the interests of the executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure that total remuneration is competitive by market standards.

Structure

The executive remuneration levels are reviewed on an annual basis in accordance with the guidelines approved by the Board as part of the annual budget process. In order to determine the appropriate level and composition of executive remuneration, the Remuneration Committee considers information obtained from the formal performance appraisal process as well as market data obtained from a number of independent sources.

Executive remuneration packages consist of the following elements:

- *Fixed remuneration* comprises salary, superannuation, other benefits provided, that are not subject to any target achievement.
- *Variable remuneration* comprises a mixture of short-term and long-term incentives. These incentives usually consist of cash payments but have also included the issue of share options under the Prime Television Share Option Scheme.

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (CONTINUED)

Fixed remuneration

Objective

Prime aims to set fixed annual remuneration levels at competitive market levels for jobs of comparable nature, size and level of responsibility.

Fixed remuneration levels are reviewed annually and the process consists of a review of company, business unit and individual performance appraisal as well as analysis of the external market conditions.

Structure

Senior management staff are given the opportunity to receive their fixed remuneration in a number of forms including cash, superannuation and fringe benefits such as motor vehicles. The methods of payment available are intended to give optimal benefit to the recipient without creating undue cost for the Company.

The fixed remuneration components of the five most highly remunerated executives are outlined in Table 2 on page 18 of this report.

Variable remuneration – Short-Term Incentives (STI)

Objective

The STI are set in a manner that aims to link the achievement of the Company's operational targets with the remuneration received by the executives responsible for meeting those targets. The levels of STI are set so as to provide sufficient incentive for senior managers to strive to achieve the set operational targets whilst maintaining a reasonable cost to the Company.

Structure

The actual STI payments granted to each senior manager are dependent on the extent to which specific operational targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPIs) covering both financial and non-financial performance measures. Typically the KPIs will include a combination of direct targets such as sales and expenditure

budgets, market share objectives and operational management objectives as well as broader company targets such as company and divisional earnings targets. Each executive's STI scheme consists of a combination of benchmarks against which the executive is measured. Some of these benchmarks have fixed targets which trigger payments whilst other benchmarks may trigger proportional payment based on performance towards meeting the benchmark.

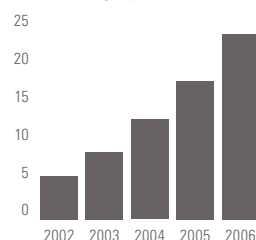
On an annual basis, the performance of each executive is assessed against their KPIs in determining the eligibility for payments from the STI pool. The STI for some executives are calculated in relation to predetermined formulas tied to their KPIs and fixed remuneration packages, whilst other executives are assessed against their KPIs and the extent of the STI payment made to these executives is at the discretion of the Remuneration Committee within the predetermined and authorised STI pool.

The maximum aggregate of STI payments available to executives is subject to the approval of the Board of Directors as part of the annual budget process, with the minimum payable being zero if no performance conditions are met. Payments of STI are usually delivered as a cash bonus or additional superannuation contributions, subject to compliance with relevant eligible contribution rules. Payments arising from the STI pool are generally made within three months of the reporting date.

For the 2005 financial year, 100% of the STI cash bonus pool vested to executives and was paid during the 2006 financial year. The Remuneration Committee has considered the STI payments for the 2006 financial year and has determined to pay 100% of the STI pool. The total STI pool for 2006 was \$630,000.

The STI remuneration components of the five most highly remunerated senior managers are outlined in Table 2 on page 18 of this report.

Earnings per share (cents)



Variable remuneration – Long-Term Incentives (LTI)

Objective

The objective of LTI is to reward senior executives in a manner which aligns their interests more closely with those of the Company's shareholders.

Structure

The LTI are delivered through the granting of options to selected executives.

Recommendations in respect of allocations of share options under the Prime Television Share Option Scheme are made by the Remuneration Committee, for approval by the Board. In accordance with the Listing Rules of the Australian Stock Exchange, options proposed to be issued to executive directors are submitted for approval by shareholders in general meeting. Details of the Employee Share Incentive Scheme are set out on page 15 of this report.

Relationship of rewards to performance

Each grant of options is subject to specific conditions set out in the Prime Television Share Option Scheme Deed, which include phased vesting on an annual basis with full vesting after three years, and the requirement for the parent entity share price to appreciate by at least 20% above the Offering Price (Exercise Price) for continuous period of at least three ASX trading days prior to the vesting date.

The LTI remuneration components of the five most highly remunerated senior managers are outlined in Table 2 on page 18 of this report.

There have been 600,000 options granted during the year ended 30 June 2006.

Group performance

Group performance is reflected in the movement of the Company's earnings per share (EPS) over time. The graph above shows Prime's basic EPS history for the past five years (including the current period).

DIRECTORS' REPORT
(CONTINUED)

REMUNERATION REPORT
(CONTINUED)

Remuneration of directors and named executives

Table 1: Director remuneration for the year ended 30 June 2006

DIRECTORS	SALARY & FEES	SHORT-TERM			POST EMPLOYMENT		LONG-TERM	SHARED-BASED PAYMENT	TOTAL	% PERFORM-ANCE RELATED
		BONUS	NON-CASH BENEFITS	OTHER	SUPERAN-NUATION	RETIREMENT BENEFITS	INCENTIVE PLANS	OPTIONS		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
PJ Ramsay (Chairman)										
2006	70,833	-	-	-	6,375	-	-	-	77,208	-
2005	50,000	-	-	-	4,500	-	-	-	54,500	-
MS Siddle (Deputy Chairman)										
2006	57,700	-	-	-	5,193	-	-	-	62,893	-
2005	46,200	-	-	-	4,158	-	-	-	50,358	-
PJ Evans (Non-executive)										
2006	57,000	-	-	-	5,130	-	-	-	62,130	-
2005	92,000	-	-	-	3,780	-	-	-	95,780	-
T Jackman (Non-executive)										
2006	57,000	-	-	-	5,130	-	-	-	62,130	-
2005	42,000	-	-	-	3,780	-	-	-	45,780	-
A Hamill (Non-executive)										
2006	62,130	-	-	-	-	-	-	-	62,130	-
2005	45,780	-	-	-	-	-	-	-	45,780	-
RJ Cotton (Non-executive) - resigned 2 September 2005										
2006	29,700	-	-	146,000	630	-	-	-	176,330	-
2005	42,000	-	-	-	3,780	-	-	-	45,780	-
Total Remuneration:										
2006	334,363	-	-	146,000	22,458	-	-	-	502,821	-
2005	317,980	-	-	-	19,998	-	-	-	337,978	-

DIRECTORS' REPORT
(CONTINUED)

REMUNERATION REPORT
(CONTINUED)

Remuneration of Directors and named executives (continued)

Table 2: Remuneration of the five specified executives who received the highest remuneration for the year end 30 June 2006

EXECUTIVES	SHORT-TERM			POST EMPLOYMENT			LONG-TERM	SHARED-BASED PAYMENT	TOTAL	% PERFORM-ANCE RELATED	
	SALARY & FEES	BONUS	NON-CASH BENEFITS	OTHER	SUPER-ANNUATION	RETIREMENT BENEFITS	INCENTIVE PLANS	OPTIONS			
	\$	\$	\$	\$	\$	\$	\$	\$		\$	%
W Syphers (Chief Executive Officer, Chief Financial Officer)											
	2006	274,596	75,000	16,912	–	14,637	–	–	73,750	454,892	32.7
	2005	203,924	15,766	10,381	–	11,585	–	–	2,152	243,808	7.4
D Edwards (Chief Operating Officer)											
	2006	216,421	116,238	5,096	–	13,998	–	–	59,295	411,048	42.7
	2005	188,998	99,807	2,221	–	11,585	–	–	2,035	304,646	33.4
R Howarth (General Manager – Seven Affiliate Sales)											
	2006	183,956	34,067	26,303	–	13,716	–	–	–	258,042	13.2
	2005	179,430	30,219	24,705	–	11,585	–	–	–	253,993	11.9
G Smith (General Manager – Engineering & IT)											
	2006	200,500	25,000	17,712	–	13,615	–	–	44,545	301,372	23.1
	2005	194,540	30,460	13,831	–	11,585	–	–	2,035	252,451	12.9
A Butorac (General Manager – Broadcasting TV)											
	2006	140,438	30,998	24,378	–	12,773	–	–	–	208,587	14.9
	2005	131,446	35,099	27,055	–	11,585	–	–	–	205,185	17.1
Total Remuneration: Executives											
	2006	1,015,911	281,303	91,567	–	68,739	–	–	177,590	1,633,941	28.1
	2005	898,338	211,351	78,193	–	57,925	–	–	6,222	1,252,029	17.4

Table 3: Options granted as part of remuneration

	GRANT DATE	GRANT NUMBER	REMUNERATION CONSISTING OF OPTIONS FOR YEAR	VALUE OF OPTIONS GRANTED DURING YEAR	VALUE OF OPTIONS EXERCISED DURING YEAR	VALUE OF OPTIONS LAPSED DURING YEAR	TOTAL VALUE OF OPTIONS GRANTED, EXERCISED AND LAPSED DURING YEAR
			%	\$	\$	\$	\$
W Syphers	18/11/05	250,000	16.2	231,750	–	–	–
D Edwards	18/11/05	200,000	14.4	185,400	–	–	–
G Smith	18/11/05	150,000	14.8	139,050	–	–	–

For details on the valuation of the options, including models and assumptions used, please refer to Note 27. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

DIRECTORS' REPORT

(CONTINUED)

Directors' meetings

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

	DIRECTORS' MEETINGS		MEETINGS OF COMMITTEES			
	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	AUDIT		REMUNERATION	
			NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
PJ Ramsay	8	8				
MS Siddle	8	8	4	4		
RJ Cotton	1	–	2	–		
PJ Evans	8	8	4	4	2	2
T Jackman	8	8			2	2
A Hamill	8	8	–	–	2	2

Committee membership

As at the date of this report, the Company has an Audit Committee and a Remuneration Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

AUDIT

PJ Evans (Chair)
 MS Siddle (appointed 30 June 2005)
 RJ Cotton (resigned 2 September 2005)
 A Hamill (appointed 11 May 2006)

REMUNERATION

T Jackman (Chair)
 (appointed 22 August 2005)
 PJ Evans
 A Hamill (appointed 22 August 2005)
 MS Siddle (resigned 22 August 2005)

Rounding

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

Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, Prime Television Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Members of the tax-consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax-consolidated group is Prime Television Limited.

DIRECTORS' REPORT
(CONTINUED)

Auditor independence and non-audit services

In accordance with Audit Independence requirements of the Corporations Act 2001, the Directors have received and are satisfied with the 'Audit Independence Declaration' provided by Prime Television Limited's external auditors Ernst & Young. The Audit Independence Declaration is attached.

Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that the auditors independence was not compromised.

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

- Income Tax & FBT Return compliance services	\$65,403
- Transaction Advisory Tax Services	\$206,648

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Prime Television Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement appears in the following section of this report.

Signed in accordance with a resolution of the directors.



PJ Evans
Director

Sydney, 25 September 2006

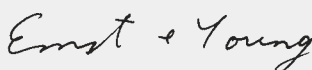


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Australia

GPO Box 281
Canberra ACT 2601

Auditor's Independence Declaration to the Directors of Prime Television Limited

In relation to our audit of the financial report of Prime Television Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



G J Knuckey

Partner

25 September 2006

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Prime Television Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Prime Television Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

Prime Television Limited's Corporate Governance Statement is structured with reference to the Australian Stock Exchange Corporate Governance Council's (the Council) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. The Corporate Governance Council's principles and recommendations are as follows:

- Principle 1.** Lay solid foundations for management and oversight
- Principle 2.** Structure the Board to add value
- Principle 3.** Promote ethical and responsible decision-making
- Principle 4.** Safeguard integrity in financial reporting
- Principle 5.** Make timely and balanced disclosure
- Principle 6.** Respect the rights of shareholders
- Principle 7.** Recognise and manage risk
- Principle 8.** Encourage enhanced performance
- Principle 9.** Remunerate fairly and responsibly
- Principle 10.** Recognise the legitimate interests of stakeholders

Prime Television Limited's corporate governance practices were in place throughout the year ended 30 June 2006 and were compliant with the Council's best practice recommendations except as noted in this statement.

Composition of the Board at the date of this report

NAME	POSITION
Paul J Ramsay	Non-Executive Chairman
Michael S Siddle	Non-Executive Deputy Chairman
Peter J Evans	Non-Executive Director
Terry Jackman	Non-Executive Director
Alex Hamill	Non-Executive Director

Details of the background and particular expertise of each Director are set out in the Directors' Report attached to this statement.

In order to achieve the objectives of the Board as stated above, the composition of the Board is determined by applying the following principles:

- The Board consists of primarily Non-Executive Directors;
- The Chairman of the Board should be a Non-Executive Director;
- The Directors should possess a broad range of skills, qualifications and experience; and
- The Board should meet on a regular basis.

Board Independence

The Directors of Prime Television Limited have an overriding obligation to perform their duties in the best interests of the Company. Directors are required to declare possible conflicts of interest, interests in contracts, other directorships or offices held, potential related party transactions and the acquisition or disposal of Company shares.

Under the Prime Board Charter, where a conflict of interest arises, the Director concerned declares the possible conflict of interest. The Director is then excluded from all Board discussions relating to the issue around which the conflict of interest has arisen.

Principle 2 of the ASX Good Corporate Governance Recommendations suggests that the Board should contain a majority of independent directors. Currently the Prime Board has two independent Non-Executive Directors (Terry Jackman and Alex Hamill) and three Non-Executive Directors (Paul Ramsay, Michael Siddle and Peter Evans). Principle 2 also recommends that an independent director undertake the role of Chairman. The role of Chairman of the Prime Board is currently held by Mr Paul Ramsay, a Non-Executive Director.

Although the Company is non-compliant with the independence recommendations of Principle 2, the Board is of the view that the Non-Executive Directors, who represent Paul Ramsay Holdings Pty Ltd, have the necessary management, corporate, financial and operational expertise which is of value in their overview of the Company's affairs. Two of the Non-Executive Directors, Paul Ramsay and Michael Siddle, have over 35 years experience in television industry matters, having been part of the foundation of Prime Television Limited.

Changes to Board Composition

Messrs Ramsay and Siddle have been Directors of Prime Television Limited since 1985. Mr Evans joined the Board in March 1991. Mr Cotton was appointed to the Board in May 1991 and served continuously until his retirement on 2 September 2005. Mr Jackman was appointed in February 1996. Mr Hamill was appointed to the Board in October 2003. Each appointment has been approved unanimously by the then Directors, following a recommendation from the Chairman.

In January 2003 the Board constituted an Executive Committee comprising Messrs Ramsay, Siddle and Evans to oversee the executive functions of the Company. This committee is currently in recess following the appointment of the Chief Executive Officer in August 2005. Should for any reason the Chief Executive Officer be unable to perform his duties then this committee will again oversee the executive functions on behalf of the Board.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

It is Company policy that the Board must comprise a majority of Non-Executive Directors, and that the Chairman shall be selected from the Non-Executive Directors.

The appointment and removal of directors are governed by Articles 82-94 of the parent entity's Articles of Association. In short, Directors appointed to fill casual vacancies must offer themselves for re-election at the next following annual general meeting of the Company. Also, at each annual general meeting, one-third of the Directors must offer themselves for re-election subject to the proviso that no Director shall serve more than three years without being a candidate for re-election.

Structure of the Board and Board Committee Meetings

The Board normally holds nine scheduled meetings during each financial year.

With one exception, members of the Board reside in Sydney. Coupled with the relatively small size of the Board (comprising five Non-Executive Directors), this proximity makes it relatively easy for members of the Board to meet in whole or in part outside of the formal meeting structure. For this reason, the Board as a whole, is able to exercise its functions without the requirement for excessive formal subcommittee structures. Executive management has ready access to members of the Board, and all Board members are consulted on significant decisions which have to be made between formal meetings.

On at least an annual basis, the Board sets aside two days for detailed discussions on the economic entity's business strategies at which presentations are received from senior managers.

Board Responsibilities

As the Board acts on behalf of, and is accountable to, the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The Board is responsible for formulating matters of strategy, the appointment of executive management, the review and approval of annual operating budgets and assessment of the performance of executive management against the operating budgets and assessment of the performance of executive management against the operating and strategic plans previously determined.

The responsibility for the operation and administration of the consolidated entity has been delegated by the Board to the executive committee of the Board, to whom the Chief Executive Officer reports (refer to Changes to Board Composition). The Board ensures that the management team is appropriately qualified and experienced to discharge its responsibilities and has in place procedures to assess the performance of the Chief Executive Officer and the executive team. The Board is responsible for ensuring that Management's objectives and activities are aligned with the expectations and risks identified by the Board.

Independent Professional Advice

Each Director is entitled to seek independent professional advice at the expense of the economic entity in carrying out his duties as a director. The approval of the Chairman is required prior to obtaining of such advice.

Audit Committee

The Board has established an audit committee.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

Members of the Audit Committee as at the date of this report are as follows:

- Mr PJ Evans FCA (Chairman)
- Mr MS Siddle
- Mr A Hamill

Members of the Audit Committee must be Non-Executive Directors.

The responsibilities of the Audit Committee include:

- Approval of the external audit plan.
- Liaison with external auditors on the results and findings of the audit, and on recommendations made;
- Review of the performance of the external auditors;
- Oversight of accounting policies and procedures used within the economic entity and its subsidiaries;
- Reviewing drafts of interim and full year financial statements and making recommendations to the full Board in respect of their adoption; and
- Oversight of the controls and procedures used within the economic entity, and recommendations in respect of systems of internal control.

Details of the qualifications of Audit Committee members are set out in the Directors' Report attached to this statement.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Remuneration Committee

Members of the Remuneration Committee at the date of this report are as follows:

- Mr T Jackman (Chairman)
- Mr PJ Evans
- Mr A Hamill

The Remuneration Committee reviews the remuneration packages and employment conditions applicable to senior executives and any executive directors. In making these determinations, regard is had to comparable industry or professional salary levels, and to the specific performance of the individuals concerned. The Chairman of the Remuneration Committee makes recommendations in this respect to the full Board.

The remuneration of managers and staff other than senior executives and executive directors is within the authority of the Chief Executive Officer. The Chief Executive Officer has discretion in regard to the remuneration of individual managers subject to the proviso that the overall level of remuneration is within budget guidelines as approved by the Board prior to preparation of the annual budget.

Recommendations in respect of allocations of share options under the Prime Television Share Option Scheme are made by the Remuneration Committee, for approval by the Board. In accordance with the Listing Rules of the Australian Stock Exchange, options issued to executive directors are required to be approved by shareholders in general meeting. The terms and conditions of such options were approved by shareholders at the Annual General Meeting in 1992, and again in November 1995.

The remuneration of Non-Executive Directors is determined by the Board as a whole, based on analysis having regard to survey comparisons, inflation trends, and to special responsibilities assumed by individual directors. The total quantum of directors' fees is subject to the approval of shareholders in general meeting. The last aggregate increase in the annual remuneration was approved by shareholders in November 2005.

Business Risk

The economic entity operates in one industry, being free-to-air media broadcasting. This industry is closely regulated in each country in which the economic entity operates, and new licences can only be issued by the respective national governments after extensive review. Audience habits tend to change relatively slowly, so that viewing and listening shares, and hence advertising shares, can be budgeted with a reasonable degree of accuracy in a given year. The economic conditions in each country are closely monitored as these tend to influence the overall level of advertising spending.

The assessment of and response to business risks is handled by the Board as part of its general responsibilities. At each Board meeting or by monthly distribution, Directors consider comprehensive written reports from each of the Chief Executive Officer, Chief Operating Officer, Group Finance Manager and the Managers of the various markets.

There is also an established practice within the economic entity whereby detailed minutes of local management meetings are circulated on a weekly basis. This covers all operations, and through this system of reporting, it is believed that any event, which entails material risk to the economic entity, will come to the attention of the Board.

Television and radio broadcasting is largely a fixed cost business, and variations in performance from time to time stem largely from the impact of economic activity on revenue. The economic entity has sophisticated revenue tracking systems which enable management to track current and future revenues on a daily basis.

It is believed that the most significant areas of risk to the economic entity are those which affect the free-to-air media industry as a whole. These include the impact of government policies, changes in broadcasting technology, competitive entertainment mediums, relative ratings performance etc. The ability of the economic entity to monitor or participate in such changes is enhanced by its membership of industry bodies, which represent all free-to-air media broadcasters in formulation of industry views and positions.

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	NOTES	CONSOLIDATED		PRIME TELEVISION LIMITED	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Continuing operations					
Revenues	3(a)	193,926	172,094	42,595	33,889
Expenses	3(b)	(141,677)	(125,012)	(1,071)	2,310
Share of losses of associates	14	(150)	–	–	–
Profit from continuing operations before finance and income tax costs		52,099	47,082	41,524	36,199
Finance costs	3(c)	(10,879)	(9,384)	(11,462)	(9,356)
Profit before income tax		41,220	37,698	30,062	26,843
Income tax (expense)	4	(12,342)	(11,365)	(9,085)	(7,976)
Net profit after tax from continuing operations		28,878	26,333	20,977	18,867
Discontinuing operations					
Revenues	3(e)	19,856	23,708	–	–
Expenses	3(f)	(18,240)	(27,383)	–	–
Loss before income tax from discontinuing operations		1,616	(3,675)	–	–
Income tax (expense)	4	–	–	–	–
Net loss after tax from discontinuing operations		1,616	(3,675)	–	–
Net profit after tax attributable to the members of Prime Television Limited		30,494	22,658	20,977	18,867
Earnings per share (cents per share)					
– basic for profit for the year	6	24.5	18.3		
– basic for profit from continuing operations	6	23.2	21.2		
– diluted for profit for the year	6	24.5	18.3		
– diluted for profit from continuing operations	6	23.2	21.2		
Franked dividends per share (cents per share)	7	14.5	12.5		

BALANCE SHEET
AS AT 30 JUNE 2006

	NOTES	CONSOLIDATED		PRIME TELEVISION LIMITED	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current Assets					
Cash	8(a)	20,168	10,263	–	–
Receivables	10	35,643	32,959	264	67
Intangibles	16	–	8,875	–	–
Prepayments	11	1,272	663	–	–
Derivatives		2,654	–	2,654	–
Total Current Assets		59,737	52,760	2,918	67
Non-Current Assets					
Receivables	10	–	–	520,895	444,544
Investments	12	–	–	118,054	118,054
Available-for-sale financial investments	13	17	332	3	3
Property, plant and equipment	15	54,617	65,330	–	99
Deferred tax assets	4	3,681	2,911	134	81
Intangibles	16	207,587	183,474	–	–
Prepayments	11	3,787	1,858	–	1,107
Total Non-Current Assets		269,689	253,905	639,086	563,888
Total Assets		329,426	306,665	642,004	563,955
Current Liabilities					
Payables	18	28,042	29,277	80	1,030
Interest-bearing liabilities	19	328	62	–	–
Current tax liabilities		1,319	4,592	1,346	4,612
Provisions	20	1,795	1,608	149	272
Total Current Liabilities		31,484	35,539	1,575	5,914
Non-Current Liabilities					
Payables	18	2,142	1,969	321,679	253,170
Interest-bearing liabilities	19	149,840	142,387	145,165	140,250
Deferred tax liabilities	4	13,194	9,164	936	35
Provisions	20	361	378	–	–
Total Non-Current Liabilities		165,537	153,898	467,780	393,455
Total Liabilities		197,021	189,437	469,355	399,369
Net Assets		132,405	117,228	172,649	164,586
Equity					
Parent entity interest					
Contributed equity	21	187,421	185,462	187,421	185,462
Reserves	22	180	(56)	2,641	2
(Accumulated losses)/Retained profits	22	(55,196)	(68,178)	(17,413)	(20,878)
Total Equity		132,405	117,228	172,649	164,586

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	NOTES	CONSOLIDATED		PRIME TELEVISION LIMITED	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Total Equity at the beginning of the year		117,228	108,603	164,586	159,694
Adjustment to reserves on adoption of AASB 132 and AASB 139, net of tax		(689)	–	(689)	–
Restated total equity at the beginning of the financial year		116,539	108,603	163,897	159,694
Currency translation differences for the period recognised directly in equity		58	(58)	2,461	–
Total income and expense recognised in equity		58	(58)	2,461	–
Profit for the year		30,494	22,658	20,977	18,867
Total recognised income and expense for the financial year		30,552	22,600	23,438	18,867
Cost of Share Based Payments		178	–	178	–
Transactions with equity holders in their capacity as equity holders:					
– Proceeds relating to shares issued via the exercise of employee options		234	915	234	915
– Shares issued as consideration of equity settled transaction		1,725	–	1,725	–
Dividends paid		(16,823)	(14,890)	(16,823)	(14,890)
		(14,864)	(13,975)	(14,864)	(13,975)
Total equity at the end of the year attributable to members of Prime Television Limited		132,405	117,228	172,649	164,586

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	NOTES	CONSOLIDATED		PRIME TELEVISION LIMITED	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash Flow from Operating Activities					
Receipts from customers		218,950	201,973	451	–
Payments to suppliers and employees		(168,759)	(152,632)	(1,946)	(574)
Interest received		687	719	640	706
Borrowing costs paid		(8,410)	(8,460)	(8,205)	(8,460)
Income tax refunds received		–	4	–	–
Income tax paid		(11,981)	(12,478)	(11,888)	(12,373)
Net cash flows from/(used in) operating activities	8(b)	30,487	29,126	(20,948)	(20,701)
Cash Flows from Investing Activities					
Proceeds from sale of property, plant and equipment		2,689	119	–	–
Purchase of property, plant and equipment		(6,436)	(14,320)	–	–
Net proceeds from sale of NZ business		22,973	–	–	–
Purchase of radio businesses	9	(26,405)	–	–	–
Repayment of advances to related parties		–	–	34,037	34,427
Net cash flows from/(used in) investing activities		(7,179)	(14,201)	34,037	34,427
Cash Flows from Financing Activities					
Proceeds from issues of ordinary shares		234	914	234	914
Proceeds from borrowings		25,500	250	25,500	250
Finance Lease Liability Payments		(156)	–	–	–
Repayments of borrowings		(22,000)	–	(22,000)	–
Payment of dividends		(16,823)	(14,890)	(16,823)	(14,890)
Net cash flows (used in) financing activities		(13,245)	(13,726)	(13,089)	(13,726)
Net increase/(decrease) in cash held		10,063	1,199	–	–
Add opening cash brought forward		10,263	9,114	–	–
Effects of exchange rate changes on cash		(158)	(50)	–	–
Cash and cash equivalents at end of period	8(a)	20,168	10,263	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1 CORPORATE INFORMATION

The financial report of Prime Television Limited (the Company) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 25 September 2006.

Prime Television Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations

Act 2001 and Australian Accounting Standards.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments, that have been measured at fair value.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption

of AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Company has adopted the exemption under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 35.

Except for the revised AASB 119: *Employee Benefits* (issued December 2005), Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ending 30 June 2006:

AASB AMENDMENT	AFFECTED STANDARD(S)	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION DATE OF STANDARD*	APPLICATION DATE FOR GROUP
2005-1	AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-5	AASB 1: <i>First-time adoption of AIFRS</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-6	AASB 3: <i>Business Combinations</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-10	AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101: <i>Presentation of Financial Statements</i> , AASB 114: <i>Segment Reporting</i> , AASB 117: <i>Leases</i> , AASB 133: <i>Earnings per Share</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1038: <i>Life Insurance Contracts</i>	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
2006-1	AASB 121: <i>The Effects of Change in Foreign Currency Rates</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
New standard	AASB 7 <i>Financial Instruments: Disclosures</i>	No change to accounting policy required. Therefore no impact	1 January 2007	1 July 2007
	UIG 4: <i>Determining whether an Arrangement contains a Lease</i>	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
	UIG 8: <i>Scope of AASB 2</i>	No change to accounting policy required. Therefore no impact	1 March 2006	1 July 2006

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

The following amendments are not applicable to the Group and therefore have no impact.

AASB AMENDMENT	AFFECTED STANDARD(S)
2005-2	AASB 1023: <i>General Insurance Contracts</i>
2005-4	AASB 139: <i>Financial Instruments: Recognition and Measurement</i> , AASB 132: <i>Financial Instruments: Disclosure and Presentation</i> , AASB 1: <i>First-time adoption of AIFRS</i> , AASB 1023: <i>General Insurance Contracts</i> and AASB 1028: <i>Life Insurance Contracts</i>
2005-9	AASB 4: <i>Insurance Contracts</i> , AASB 1023: <i>General Insurance Contracts</i> , AASB 139: <i>Financial Instruments: Recognition and Measurement</i> and AASB 132: <i>Financial Instruments: Disclosure and Presentation</i>
2005-12	AASB 1038: <i>Life Insurance Contracts</i> and AASB 1023: <i>General Insurance Contracts</i>
2005-13	AAS 25: <i>Financial Reporting by Superannuation Plans</i>
	UIG 5: <i>Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation Funds</i>
	UIG 6: <i>Liabilities Arising from Participating in Specific Market – Waste Electrical and Electronic Equipment</i>
	UIG 7: <i>Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies</i>
	UIG 9: <i>Reassessment of Embedded Derivatives</i>

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Prime Television Limited (the parent company) and all entities that Prime Television Limited controlled from time to time during the year and at reporting date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

During the current period, the following companies were acquired by the Group:

- Prime Radio (Townsville) Pty Limited;
- Prime Radio (Cairns) Pty Limited;
- Prime Radio (Barrier Reef) Pty Limited;
- Prime Radio (Mackay) Pty Limited;
- Prime Radio (Rockhampton) Pty Limited; and
- Prime Radio (Gladstone) Pty Limited.

These companies have been included in the consolidated financial statements using the purchase method of accounting, which measures the acquiree's assets and liabilities at their fair value at acquisition date. Accordingly, the consolidated financial statements include the results of the abovementioned companies for the ten-month period from their acquisition on 1 September 2005. These companies were acquired as shelf companies on 29 August 2005 and subsequently on 1 September 2005 acquired the business assets of six radio stations from Macquarie Regional Radioworks. The purchase consideration has been allocated to the assets of each operation on the basis of fair value at the date of acquisition.

(d) Significant accounting judgments, estimates and assumptions

(i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

- Nil.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions

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

IMPAIRMENT OF GOODWILL AND INTANGIBLES WITH INDEFINITE USEFUL LIVES

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 17.

SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in Note 27.

FAIR VALUE OF FINANCIAL DERIVATIVES

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES
(CONTINUED)

(e) Foreign currency translation

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

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

All exchange differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate as at the date when the fair value was determined.

The functional currency of the overseas subsidiary, Prime Television New Zealand Ltd, is New Zealand dollars (NZ\$).

As at the reporting date, the assets and liabilities of this overseas subsidiary are translated into the presentation currency of Prime Television Limited at the rate of exchange ruling at the balance sheet date and the income statement is translated at the weighted average exchange rates for the period.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(f) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Land and buildings are measured at cost less accumulated depreciation on buildings. See the table below.

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

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item. However, because land and buildings are measured at re-valued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(g) Intangible assets

Television and Radio Broadcast Licences, acquired both separately and from a business combination

Intangible assets, television and radio broadcast licences, acquired separately or in a business combination, are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Television and Radio broadcast licences consist of the right to broadcast television and radio services to specific market areas. The licences are subject to renewal by the respective broadcasting authorities operating in Australia. The Directors have no reason to believe the licences will not be renewed at the end of their legal terms and have not identified any factor that would affect their useful life. Therefore, the television and radio broadcast licences are deemed to have indefinite useful lives.

Depreciation is provided on a straight-line basis on all property, plant and equipment, other than freehold and leasehold land, over the estimated useful life of the assets as follows:

MAJOR DEPRECIATION PERIODS ARE:	2006	2005
– Freehold buildings:	40 years	40 years
– Leasehold improvements:	The lease term	The lease term
– Plant and equipment:	3 to 15 years	3 to 15 years
– Plant and equipment under lease:	15 years	15 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

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

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

	TELEVISION AND RADIO BROADCAST LICENCES
Useful lives	Indefinite
Method used	Not depreciated or revalued
Internally generated/ Acquired	Acquired
Impairment test/ Recoverable amount testing	Annually and where an indicator of impairment exists.

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

(h) Investments and other financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for investments and other financial assets applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies for the year ending 30 June 2006

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

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

(i) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at

amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the two preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(iv) INVESTMENTS IN CONTROLLED ENTITIES

Investments in controlled entities are recorded at cost. Any increment as a result of a revaluation is charged to the asset revaluation reserve in the Balance Sheet. Decrements are charged to the Income Statement except to the extent that a credit exists in the asset revaluation reserve in respect of the same class of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES
(CONTINUED)

**(h) Investments and other
financial assets (continued)**

**Accounting policies for the year
ending 30 June 2005**

INVESTMENTS IN CONTROLLED ENTITIES

Investments in controlled entities are recorded at cost. Any increment as a result of a revaluation is charged to the asset revaluation reserve in the Balance Sheet. Decrements are charged to the Income Statement except to the extent that a credit exists in the asset revaluation reserve in respect of the same class of non-current assets.

LISTED SHARES

Listed shares held for trading were carried at net market value. Changes in net market value were recognised as a revenue or expense in determining the net profit for the period.

All other non-current investments were carried at the lower of cost and recoverable amount.

RECOVERABLE AMOUNT

Non-current financial assets measured using the cost basis were not carried at an amount above their recoverable amount, and when a carrying value exceeded this recoverable amount, the financial asset was written down to its recoverable amount.

(i) Intangibles – Program Rights

Unused program rights have been valued at cost, based on the specific identification principle. Program rights are expensed as they are used. When multiple screenings of programs are allowed, the program cost is expensed on the first screening. (Refer Note 2(g)).

(j) Trade and other receivables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the years ending 30 June 2006 and 30 June 2005.

**Accounting policies for the year
ending 30 June 2006**

Trade receivables are carried at original invoice amount less an allowance for any uncollectible debts. Credit terms for advertisers, generally 30–45 days, are extended based upon an assessment of the credit standing of each customer.

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

**Accounting policies for the year
ending 30 June 2005**

Trade receivables are carried at original invoice amount, less an allowance for any uncollectible debts. Credit terms for advertisers, generally 30–45 days, are extended based upon an assessment of the credit standing of each customer. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(k) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Trade and other payables

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the years ending 30 June 2006 and 30 June 2005.

**Accounting policies for the year
ending 30 June 2006**

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

**Accounting policies for the year
ending 30 June 2005**

Trade payables and other payables were carried at cost, which represented the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. Trade liabilities are normally settled on 30 day terms.

**(m) Interest-bearing loans
and borrowings**

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest-bearing loans and borrowings applicable for the years ending 30 June 2006 and 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Accounting policies for the year ending 30 June 2006

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are de-recognised.

Accounting policies for the year ending 30 June 2005

All loans and borrowings are initially recognised at the principal amount. Interest was recognised as an expense as it accrued.

(n) Provisions

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

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

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

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(o) Share-based payment transactions

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

There is currently one scheme in place to provide these benefits:

- The Prime Staff Share Option Scheme, which provides benefits to Directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in Note 27.

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

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- the extent to which the vesting period has expired; and
- the number of awards that, in the opinion of the directors of the Group, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

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

(p) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

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

Leasehold Improvements

The cost of improvements to or on leasehold property are capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES
(CONTINUED)

(p) Leases (continued)

Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group are capitalised at inception of the lease at the fair value of the leased property or, if lower, at present value of the minimum lease payments. Lease payments are allocated between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(q) Revenue recognition

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

Advertising revenue

Broadcasting operations derive revenue primarily from the sale of advertising time, to local, regional and national advertisers. Revenue is recognised when the commercial advertisements are broadcast.

Production revenue

Revenue is recognised at the time of invoicing the customers, which is on completion of the production.

Interest Income

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for recognising interest income applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies for the year ending 30 June 2006

Interest revenue is recognised on the effective interest rate method.

Accounting policies for the year ending 30 June 2005

Revenue is recognised as the interest accrues to the net carrying amount of the financial asset.

Dividends

Control of the right to receive the dividend payment.

Rental Income

Rental income is derived from sub-letting the Group's property, plant and equipment. This rental is recognised on a straight line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

(r) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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

(s) Borrowing costs

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for recognition of borrowing costs applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies for the year ending 30 June 2006

Borrowing costs are recognised as an expense based on the amortised cost of interest-bearing loans and borrowings, using the effective interest rate method. (Refer Note 2(m)).

Accounting policies for the year ending 30 June 2005

Borrowing costs are recognised as an expense when incurred.

(t) Income tax

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

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

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal on the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

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

Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, Prime Television Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Prime Television Limited is the head entity of the tax consolidated group. Members of the group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Prime Television Limited formally notified the Australian Taxation Office of its adoption of the tax consolidation regime when it lodged its 30 June 2003 consolidated tax return.

Tax effect accounting by members of the consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their taxable income for the period, while deferred taxes are allocated to

members of the tax consolidated group in accordance with the principles of AASB 112: *Income Taxes*. Allocations under the tax funding agreement are made at the end of each half year.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Prime Television Limited. In accordance with UIG 1052: *Tax Consolidation Accounting*, the group has applied the "separate taxpayer within group" approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

(u) Other taxes

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Derivative financial instruments and hedging

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for derivative financial instruments applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies for the year ending 30 June 2006

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

Accounting policies for the year ending 30 June 2005

INTEREST RATE SWAPS

The Group enters into interest rate swap agreements that are used to convert the variable interest rate of its short-term borrowings to medium-term fixed interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates.

It was the Company's policy not to recognise interest rate swaps in the financial statements. Net receipts and payments were recognised as an adjustment to interest expense.

(w) Derecognition of financial assets and financial liabilities

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable to the derecognition of financial assets and financial liabilities for the years ending 30 June 2006 and 30 June 2005.

Accounting policies for the year ending 30 June 2006

FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of

the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Accounting policies for the year ending 30 June 2005

FINANCIAL ASSETS

A financial asset was derecognised when the contractual right to receive or exchange cash no longer existed.

FINANCIAL LIABILITIES

A financial liability was derecognised when the contractual obligation to deliver or exchange cash no longer existed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

(x) Impairment of financial assets

The Group has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies applicable for the years ending 30 June 2006 and 30 June 2005.

Accounting policies for the year ending 30 June 2006

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

FINANCIAL ASSETS CARRIED AT AMORTISED COST

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

FINANCIAL ASSETS CARRIED AT COST

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

Accounting policies for the year ending 30 June 2005

For current financial assets, refer to Note 2(h), 2(j) and Note 2(z) for the impairment accounting policy.

For non-current financial assets, refer to Note 2(z) for the impairment accounting policy.

(y) Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The consolidated income statement reflects the Group's share of the results of operations of the associate.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this in the consolidated statement of recognised income and expense.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(z) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

2. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES
(CONTINUED)

**(z) Impairment of assets
(continued)**

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(aa) Employee leave benefits

**Wages, salaries, annual leave
and sick leave**

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

Long service leave

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

(ab) Contributed equity

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

(ac) Earnings per share

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

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

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
3 REVENUE AND EXPENSES				
Revenue and expenses from continuing operations				
(a) Revenues				
Advertising revenue	177,322	159,105	–	–
Finance revenue	4,541	702	42,218	33,889
Other revenue	12,063	12,287	377	–
	193,926	172,094	42,595	33,889
Breakdown of finance revenue:				
Interest received				
– other persons	903	702	856	–
– charged to controlled entities	–	–	37,724	33,889
Gain on fair value adjustment Interest Rate Swaps	3,638	–	3,638	–
	4,541	702	42,218	33,889
Breakdown of other revenue:				
Government grants	6,469	7,900	–	–
Realised Foreign Exchange Gains	377	–	377	–
Production revenue	2,051	2,134	–	–
Gain on disposal of property, plant and equipment	1,526	–	–	–
Rental income	1,229	1,557	–	–
Other revenues	411	696	–	–
	12,063	12,287	377	–
(b) Expenses				
Broadcasting and transmission expenses	87,298	78,378	–	(2,971)
Sales, marketing and administration expenses	44,479	37,260	972	561
Depreciation and amortisation expenses	9,900	9,374	99	100
	141,677	125,012	1,071	(2,310)
(c) Finance expenses				
Interest expense – other persons	10,283	8,811	10,078	8,783
Interest expense – controlled entities	–	–	788	–
Other	596	573	596	573
	10,879	9,384	11,462	9,356
(d) Specific expenses				
Bad and doubtful debts – trade debtors	172	248	–	–
Operating lease expenditure	12,157	11,033	–	–
Superannuation contributions	2,425	1,751	36	20
Share based payments expense	177	–	177	–
Loss on disposal of property, plant and equipment	–	58	–	–
Impairment of available-for-sale asset	316	–	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
3. REVENUE AND EXPENSES (CONTINUED)				
Revenue and expenses from discontinuing operations				
(e) Revenues				
Advertising revenue	13,297	23,502	-	-
Other revenue	6,559	206	-	-
	19,856	23,708	-	-
<i>Breakdown of other revenue:</i>				
Gain on disposal of New Zealand business	6,489	-	-	-
Other	70	206	-	-
	6,559	206	-	-
(f) Expenses				
Broadcasting and transmission expenses	11,182	16,234	-	-
Sales, marketing and administration expenses	5,876	9,977	-	-
Depreciation and amortisation expenses	1,182	1,172	-	-
	18,240	27,383	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000

4 INCOME TAX

The major components of income tax expense are:

Income Statement

Current income tax

Current income tax charge	8,769	11,112	7,933	8,092
Adjustments in respect of current income tax of previous years	17	(93)	12	(78)

Deferred income tax

Relating to origination and reversal of temporary differences	3,556	346	1,140	(38)
Income tax expense reported in the income statement	12,342	11,365	9,085	7,976

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

Profit before tax from continuing operations	41,220	37,698	30,062	26,843
Profit/(loss) before tax from discontinuing operations	1,616	(3,675)	-	-
Accounting profit before income tax	42,836	34,023	30,062	26,843
Prima facie tax on accounting profit at the Group's statutory rate of 30% (2005: 30%)	12,851	10,207	9,019	8,053
Capital gain on sale of building	329	-	-	-
Book profit on sale of building	(462)	-	-	-
Building depreciation differences	-	(4)	-	-
Non temporary differences	220	152	54	1
Tax losses not booked	(782)	1,213	-	-
Adjustments in respect of current income tax of previous years	17	(93)	12	(78)
Overseas tax rate differential	169	(110)	-	-
	12,342	11,365	9,085	7,976
Income tax expense attributable to continuing operations	12,342	11,365	9,085	7,976
Income tax expense attributable to discontinuing operations	-	-	-	-
	12,342	11,365	9,085	7,976

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	BALANCE SHEET		INCOME STATEMENT	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
4. INCOME TAX (CONTINUED)				
Deferred income tax				
Deferred income tax as at 30 June relates to the following:				
Consolidated				
<i>Deferred tax liabilities</i>				
Accelerated depreciation for tax purposes	(920)	(1,640)	(720)	(811)
Leased Assets	(1,465)	(640)	825	640
Prepaid Expenses deductible for tax	(3,037)	(9)	3,028	(599)
Income not yet assessable for tax	(286)	(185)	101	195
Fair Value adjustments on Acquisition	(6,690)	(6,690)	-	-
Application of AASB 132 & 139	(796)	-	796	-
	(13,194)	(9,164)		
<i>Deferred tax assets</i>				
Employee Entitlements	1,239	1,130	(109)	(124)
Provisions	152	99	(53)	(45)
Accrued Expenses	456	153	(303)	899
Lease Liabilities	1,505	660	(845)	(660)
Difference between building write-off	329	459	131	12
Application of AASB 132 & 139	-	-	295	-
Deferred Government Rebate	-	411	411	839
	3,681	2,911		
Deferred tax income/(expense)			3,556	346
Parent				
<i>Deferred tax liabilities</i>				
Accelerated depreciation for tax purposes	4	(25)	(30)	(27)
Prepaid Expenses deductible for tax	(7)	(10)	(3)	(11)
Income not yet assessable for tax	(135)	-	135	-
Application of AASB 132 & 139	(796)	-	796	-
	(936)	(35)		
<i>Deferred tax assets</i>				
Provisions	45	81	36	-
Accrued Expenses not yet deductible for tax	89	-	(89)	-
Application of AASB 132 & 139	-	-	295	-
	134	81		
Deferred tax income/(expense)			1,140	(38)
Income tax losses				
Deferred tax assets arising from tax losses of a controlled entity not recognised at reporting date as realisation of the benefit is not regarded as virtually certain	24,853	23,391		

This deferred tax asset will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the asset to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

4. INCOME TAX (CONTINUED)

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Prime Television Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group. Prime Television Limited is the head entity of the tax consolidated group. Members of the group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition, the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the consolidated group

Members of the tax consolidated group have entered in a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group in accordance with their taxable income for the period, while deferred taxes are allocated to members of the tax consolidated group in accordance with the principles of AASB 112 *Income Taxes*. Allocations under the tax funding agreement are made at the end of each half year.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' intercompany accounts with the tax consolidated group head company, Prime Television Limited. In accordance with UIG 1052: *Tax Consolidation Accounting*, the group has applied the "separate taxpayer within group" approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

5 DISCONTINUING OPERATIONS

On 18 November 2005, the Board of Directors of Prime Television New Zealand Limited entered into a sale agreement to dispose of the New Zealand television business to Sky Network Television Limited. The sale was completed on 8 February 2006, on which date of control of the business passed to the acquirer.

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

	NOTES	PRIME TELEVISION NEW ZEALAND LIMITED	
		2006 \$'000	2005 \$'000
Revenues	3(e)	19,856	23,702
Expenses	3(f)	(18,240)	(27,377)
Profit/(loss) before income tax from discontinuing operations		1,616	(3,675)
Income tax (expense)		-	-
Net profit/(loss) after tax from discontinuing operations		1,616	(3,675)
Earnings per share (cents per share)			
- Basic from discontinued operations		1.3	(2.9)
- Diluted from discontinued operations		1.3	(2.9)
			PRIME TELEVISION NEW ZEALAND LIMITED
			2006 \$'000
Consideration received or receivable			
Cash			27,749
Total disposal consideration			27,749
Less: Net assets disposed of and selling costs			(21,260)
Gain on disposal before income tax			6,489
Income tax expense			-
Gain on disposal after income tax			6,489

The proceeds from the sale exceeded the book value of the related net assets and accordingly no impairment losses were recognised on the re-classification of these operations as held for sale.

On the date of completion of the sale of the television business, the joint venture agreement between Prime Television Limited and the Nine Network Australia Pty Limited was terminated in accordance with the terms of the joint venture agreement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

		CONSOLIDATED	
		2006	2005
		\$'000	\$'000
6	EARNINGS PER SHARE		
	Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.		
	Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.		
	The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
	Profit attributable to ordinary equity holders of the parent from continuing operations	28,878	26,333
	Profit/(Loss) attributable to ordinary equity holders of the parent from discontinuing operations	1,616	(3,675)
	Net profit attributable to ordinary equity holders of the parent	30,494	22,658
	Earnings used in calculating basic and diluted earnings per share	30,494	22,658
		NUMBER OF SHARES	NUMBER OF SHARES
		2006	2005
	Weighted average number of ordinary shares used in calculating basic earnings per share:	124,544,450	124,136,426
	Effect of dilution:		
	Share options	11,001	48,208
	Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	124,555,451	124,184,634
	There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.		
	To calculate earnings per share amounts for the discontinuing operation, the weighted average number of ordinary shares for both basic and diluted amounts is as per the table above. The following table provides the profit figure used as the numerator:		
		2006	2005
		\$'000	\$'000
	Net loss attributable to ordinary equity holders of the parent from discontinuing operations (Note 5):		
	– for basic earnings per share	1,616	(3,675)
	– for diluted earnings per share	1,616	(3,675)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
7 DIVIDENDS PAID AND PROPOSED				
(a) Dividends paid during the year				
(i) Current year interim				
Franked dividends (6.5 cents per share) (2005: 5.5 cents) – ordinary shares	8,119	6,838	8,119	6,838
(ii) Previous year final				
Franked dividends (7.0 cents per share) (2005: 6.5 cents) – ordinary shares	8,704	8,052	8,704	8,052
	16,823	14,890	16,823	14,890
(b) Dividends proposed and not recognised as a liability				
Franked dividends (8.0 cents per share) (2005: 7.0 cents) – ordinary shares	9,997	8,704	9,997	8,704
(c) Franking credit balance				
The amount of franking credits available for the subsequent financial year are:				
– franking account balance as at the end of the financial year at 30% (2005: 30%)			15,118	10,434
– franking credits that will arise from the payment of income tax payable as at the end of the financial year			1,346	4,612
– franking debits that will arise from the payment of dividends as at the end of the financial year			–	–
The amount of franking credits available for future reporting periods:			16,464	15,046
– impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period			4,284	3,730

The tax rate at which paid dividends have been franked is 30% (2005: 30%). Dividends proposed will be franked at the rate of 30% (2005: 30%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

8 CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash

Cash balance comprises:

– cash assets	20,168	10,263	–	–
Closing cash balance	20,168	10,263	–	–

Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 30 June 2006 the Group had available \$56.25 million (2005: \$59.75 million) of un-drawn committed borrowing facilities in respect of which all conditions precedent had been met.

The fair value of cash and cash equivalents is \$20.168 million (2005: \$10.263 million), including amounts attributable to discontinuing operations.

(b) Reconciliation of the net profit after tax to the net cash flows from operations

Net profit after tax	30,494	22,658	20,977	18,867
<i>Non-Cash Items</i>				
Non cash interest income	–	–	(37,725)	(33,199)
Non cash interest paid	–	–	788	–
Depreciation and amortisation	11,082	10,546	99	100
Amortisation of borrowing costs	596	573	596	573
Restructuring costs	–	(120)	–	–
Provision for doubtful debts	175	219	–	–
Net (profit)/loss on disposal of property, plant and equipment	(1,503)	52	–	–
Net (profit)/loss on sale of New Zealand business operations	(6,489)	–	–	–
Net (gain)/loss MTM interest rate swap	(3,638)	–	(3,638)	–
Share of losses of associates	150	–	–	–
Impairment of available-for-sale assets	316	–	–	–
Share based payments expense	177	–	177	–
Changes in assets and liabilities				
(Increase)/decrease in receivables	(2,462)	(2,653)	(144)	(2,489)
(Increase)/decrease in inventory	(381)	(568)	–	–
(Increase)/decrease in future income tax benefit	(1,514)	1,547	(1,799)	82
(Increase)/decrease in prepayments	(3,914)	(160)	(95)	(681)
(Decrease)/increase in creditors	5,521	(822)	941	1,001
(Decrease)/increase in group tax sharing	–	–	(3,026)	–
(Decrease)/increase in tax provision	(2,774)	(1,297)	(2,624)	(1,252)
(Decrease)/increase in deferred tax liability	4,652	(1,358)	4,651	(732)
(Decrease)/increase in employee entitlements	(1)	509	(124)	–
(Decrease)/increase in other provisions	–	–	–	(2,971)
Net cash flow from operating activities	30,487	29,126	(20,948)	(20,701)

Disclosure of financing facilities

Refer to Note 19.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

9 BUSINESS COMBINATION

Acquisition of Queensland Radio Businesses

On 29 August 2005, the Group acquired six newly registered companies:

- Prime Radio (Cairns) Pty Limited;
- Prime Radio (Townsville) Pty Limited;
- Prime Radio (Barrier Reef) Pty Limited;
- Prime Radio (Rockhampton) Pty Limited;
- Prime Radio (Gladstone) Pty Limited; and
- Prime Radio (Mackay) Pty Limited.

These companies are collectively trading as Prime Radio.

On 1 September 2005, the abovementioned companies purchased the business assets of six radio stations in Queensland from Macquarie Regional Radioworks. The total cost of the business combination was \$26,405,000 and comprised a cash payment to the vendor and costs directly attributable to the combination.

From the date of acquisition, Prime Radio has contributed revenues of \$7,296,000 and earnings before finance costs of \$1,632,000 to the Group.

The fair value of the identifiable assets purchased on 1 September 2005 are:

	\$'000
Property, plant and equipment	1,781
Intangible Assets – Broadcasting Licences	24,624
	26,405

The nature of the broadcast licences, being foundation assets to the operation of the radio businesses, the Directors have attributed 100% of the value of the intangible assets purchased to this asset class. The Directors have determined that these assets have indefinite lives and as such no amortisation will be charged against them. These licences will be tested annually for impairment.

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000

10 TRADE AND OTHER RECEIVABLES

Current

Trade receivables ⁽ⁱ⁾	34,111	32,153	–	–
Provision for doubtful debts	(191)	(334)	–	–
	33,920	31,819	–	–
Other receivables	1,723	1,140	264	67
	35,643	32,959	264	67

(i) Trade receivables are carried at original invoice amount less an allowance for any uncollectible debts. Credit terms for advertisers, generally 30–45 days, are extended based upon an assessment of the credit standing of each customer. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified.

Non-Current

Related party receivables

– controlled entities	–	–	520,895	444,544
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
11 OTHER ASSETS				
Current				
Prepayments	1,272	663	-	-
Non-Current				
Prepayments	3,787	1,858	-	1,107

12 OTHER FINANCIAL ASSETS				
Non-Current				
Investments at cost comprise:				
Controlled entities (unlisted)	-	-	118,054	118,054
	-	-	118,054	118,054

13 AVAILABLE-FOR-SALE FINANCIAL ASSETS				
Non-Current				
At fair value				
Shares in uncontrolled entities (listed) – cost	14	14	-	-
Shares in uncontrolled entities (unlisted) – cost	3	319	3	3
	17	332	3	3

Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value of the unlisted available-for-sale investments has been estimated using valuation techniques based on assumptions and factors not supported by observable market prices or rates.

Management believes that as at balance date the reflected fair values and related changes recorded in the income statement are reasonable.

14 INVESTMENT IN AN ASSOCIATE				
Non-Current				
Investment in associate	-	-	-	-

Prime Television (Victoria) Pty Limited has a 50% (2005: Nil) interest in Mildura Digital Television Pty Limited, which is involved in the provision of television broadcast services in the Mildura area of Australia.

Mildura Digital Television Pty Limited is owned with WIN Television (VIC) Pty Limited. Funding advances are determined via a shareholders' agreement. WIN Television provides management and operational services towards the running of the company. The company commenced operations on 1 January 2006.

	CONSOLIDATED	
	2006 \$'000	2005 \$'000
<i>Share of Associate's balance sheet</i>		
Current Assets	56	-
Non-Current Assets	260	-
	316	-
Current Liabilities	(466)	-
	(466)	-
Net Assets	(150)	-
<i>Share of Associate's income statement</i>		
Revenue	20	-
(Loss) before tax	(212)	-
Income tax benefit	62	-
(Loss) after tax	(150)	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
15 PROPERTY, PLANT AND EQUIPMENT				
Freehold land – at Cost	1,279	2,018	-	-
Leasehold land – at Cost ⁽ⁱ⁾	197	197	-	-
Total Land	1,476	2,215	-	-
Buildings on freehold land – at Cost	3,104	5,663	-	-
Less: Accumulated depreciation	(1,416)	(1,800)	-	-
	1,688	3,863	-	-
Buildings on leasehold land – at Cost ⁽ⁱ⁾	10,120	10,049	-	-
Less Accumulated amortisation	(1,788)	(1,534)	-	-
	8,332	8,515	-	-
Buildings on freehold land – at Recoverable Amount	2,045	3,036	-	-
Less: Accumulated depreciation	(199)	(308)	-	-
	1,846	2,728	-	-
Total Buildings	11,867	15,106	-	-
Leasehold Improvements – at Cost	603	509	-	-
Less: Accumulated amortisation	(372)	(337)	-	-
	231	172	-	-
Plant and Equipment – at Cost	117,461	125,096	2,503	2,503
Less: Accumulated depreciation	(81,369)	(79,393)	(2,503)	(2,404)
	36,091	45,703	-	99
Plant and Equipment under lease – at Cost	5,120	2,171	-	-
Less: Accumulated amortisation	(237)	(37)	-	-
	4,883	2,134	-	-
Motor Vehicles – at cost	89	-	-	-
Less: Accumulated depreciation	(21)	-	-	-
	68	-	-	-
Total written down amount	54,617	65,330	-	99

(i) Includes land located in the Australian Capital Territory, under the ACT legislation, the land has a 99-year lease period, and also includes Leasehold Strata Units located in Sydney, which are held under a 99 year lease.

(a) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

Freehold land

Carrying amount at beginning	2,018	2,017	-	-
Additions	250	-	-	-
Disposals	(990)	-	-	-
Net foreign currency movements arising from self-sustaining foreign operation	1	1	-	-
	1,279	2,018	-	-

Leasehold land

	197	197	-	-
	1,476	2,215	-	-

Buildings on freehold land

Carrying amount at beginning	6,591	6,652	-	-
Additions	36	165	-	-
Disposals	(2,912)	(10)	-	-
Depreciation expense	(181)	(222)	-	-
Net foreign currency movements arising from self-sustaining foreign operation	-	6	-	-
	3,534	6,591	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)				
(a) Reconciliations (continued)				
<i>Buildings on leasehold land</i>				
Carrying amount at beginning	8,515	8,981	-	-
Additions	71	-	-	-
Disposals	-	(222)	-	-
Depreciation expense	(254)	(244)	-	-
	8,332	8,515	-	-
Total Buildings	11,867	15,106	-	-
<i>Leasehold Improvements</i>				
Carrying amount at beginning	172	210	-	-
Additions	94	15	-	-
Disposals	-	(9)	-	-
Depreciation expense	(35)	(44)	-	-
	231	172	-	-
<i>Plant and equipment</i>				
Carrying amount at beginning	45,703	41,377	99	199
Additions	7,633	14,461	-	-
Disposals	(6,828)	(154)	-	-
Depreciation expense	(10,391)	(9,999)	(99)	(100)
Net foreign currency movements arising from self-sustaining foreign operation	(25)	18	-	-
	36,091	45,703	-	99
<i>Plant and equipment under lease</i>				
Carrying amount at beginning	2,134	-	-	-
Additions	2,949	2,171	-	-
Amortisation expense	(200)	(37)	-	-
	4,883	2,134	-	-
Total plant and equipment	41,167	47,837	-	99
<i>Motor Vehicles</i>				
Carrying amount at beginning	-	-	-	-
Additions	89	-	-	-
Depreciation expense	(21)	-	-	-
	68	-	-	-

(b) Assets pledged as security

All plant and equipment under lease is pledged as security for the associated lease liabilities.

16 INTANGIBLE ASSETS

Current

Program rights – at cost	-	8,875	-	-
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Non-Current

Program rights – at cost	-	511	-	-
Broadcast Licences and Associated Rights				
At fair value – 30 June 2006	207,587	182,963	-	-
	207,587	183,474	-	-

Refer Accounting Policy, Note 2(g).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

17 IMPAIRMENT TESTING OF INTANGIBLE ASSETS WITH INDEFINITE LIVES

Broadcast licences acquired through business combinations are allocated to two cash-generating units for impairment testing as follows:

- Television broadcasting unit; and
- Radio broadcasting unit.

Television Broadcasting Unit

In order for the Directors to test potential impairment of the Company's television licence assets, an independent valuation of the television business is undertaken on an annual basis. The most recent valuation was undertaken in November 2005. The independent valuation assesses the recoverable amount of the television licence assets on the basis of a fair market valuation based on the expected cashflows that a theoretical purchaser could generate from these assets. Senior management prepares financial forecasts for a five-year period, these projections are reviewed annually for changes to operational and market conditions. The long-term forecasts are generated using growth rates of 3%.

The discount rate applied to the cash flow projections is 9%. The DCF valuation of the television licence assets gives rise to a recoverable amount in excess of the current carrying value.

A review of the market conditions existing as at 30 June 2006 continues to support the DCF value derived in the November 2005 valuation.

Radio Broadcasting Unit

The radio broadcasting licences were purchased as part of a business acquisition on 1 September 2005. The fair value of the broadcast licences and property, plant and equipment were assessed upon acquisition.

The radio broadcast licences are deemed to be foundation assets without which the radio businesses could not operate. Therefore, on this basis, all the value of intangible assets acquired are attributed to the broadcast licence assets.

As at December 2005, management reviewed the projected sustainable cash flows expected to be earned from the acquired radio businesses. A discount rate of 8% was applied to the projected cash flows. This discount rate is the equivalent rate applicable to a public float of a similar business during the past year.

The DCF valuation based on the above assumptions gives rise to a recoverable value greater than the current carrying value of the acquired radio broadcasting licence assets.

Sensitivity of Assumptions

Television and radio broadcasting are largely fixed cost businesses, and variations in performance from time to time largely stem from the impact of revenue changes. The entity has sophisticated revenue tracking systems that allow management to track current and future revenues on a daily basis.

Both television and radio broadcasting is closely regulated in Australia and as such new competitors can only enter the market space via the issue of new licences by the national government after extensive reviews. Audience habits tend to change relatively slowly so viewing and listening shares and therefore advertising revenue shares can be budgeted with a reasonable degree of accuracy. The economic conditions are monitored closely for indicators that could influence the overall level of advertising spending to change significantly.

The most significant areas of risk for the economic entity and its cash generating units are those that affect the free to air media industry as a whole. These are monitored closely by management.

Carrying amount of Intangibles allocated to each of the cash generating units

	CONSOLIDATED						PARENT	
	TELEVISION BROADCASTING		RADIO BROADCASTING		TOTAL		TOTAL	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Carrying amount of broadcast licences with indefinite useful lives	182,963	182,963	24,624	–	207,587	182,963	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
18 TRADE AND OTHER PAYABLES				
Current				
Unsecured				
Trade payables ⁽ⁱ⁾	4,053	7,573	–	–
Accrued expenses	23,989	21,704	80	1,030
	28,042	29,277	80	1,030
Non-Current				
Accrued expenses	2,142	1,969	–	–
Amounts other than trade debts payable to:				
– Controlled entities	–	–	321,679	253,170
	2,142	1,969	321,679	253,170

(i) Trade payable are non-interest bearing and are normally settled on 30 day terms.

	MATURITY	CONSOLIDATED		PRIME TELEVISION LIMITED	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
19 INTEREST-BEARING LOANS AND BORROWINGS					
Current					
Obligations under finance leases contracts (Note 25)	2007	328	62	–	–
		328	62	–	–
Non-Current					
Obligations under finance leases contracts (Note 25)	2008–2021	4,675	2,137	–	–
Other loans – secured bank loan	2010	145,165	140,250	145,165	140,250
		149,840	142,387	145,165	140,250

Secured bank loan

This loan has been drawn down under a five year \$200 million Debenture Subscription Facility. The facility is secured by a charge over all Australian Group Assets.

The facility matures in May 2010 and does not have any repayment requirements until maturity, and has been classified as long-term.

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<i>Financing facilities available</i>				
At reporting date, the following financing facilities had been negotiated and were available:				
Total facilities				
– bank loans ^(a)	200,000	200,000	200,000	200,000
Facilities used at reporting date				
– bank loans ^(a)	143,750	140,250	143,750	140,250
Facilities unused at reporting date				
– bank loans ^(a)	56,250	59,750	56,250	59,750

(a) The Facility was arranged and underwritten by ANZ Investment Bank and is secured over all Australian Group assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

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PROVISIONS

Consolidated

	LONG SERVICE LEAVE \$'000	DIRECTORS' RETIRING PROVISION \$'000	TOTAL \$'000
At 1 July 2005	1,714	272	1,986
Arising during the year	371	14	385
Utilised	(84)	(137)	(221)
Discount Rate Adjustment	6	–	6
At 30 June 2006	2,007	149	2,156
Current 2006	1,646	149	1,795
Non-current 2006	361	–	361
	2,007	149	2,156
Current 2005	1,336	272	1,608
Non-current 2005	378	–	378
	1,714	272	1,986

Prime Television Limited

At 1 July 2005	–	272	272
Arising during the year	–	14	14
Utilised	–	(137)	(137)
Discount Rate Adjustment	–	–	–
At 30 June 2006	–	149	149
Current 2006	–	149	149
Non-current 2006	–	–	–
	–	149	149
Current 2005	–	272	272
Non-current 2005	–	–	–
	–	272	272

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

21

CONTRIBUTED EQUITY

(a) Issued and paid up capital

Ordinary shares fully paid

124,957,225 shares (2005: 124,338,225 shares)

CONSOLIDATED		PRIME TELEVISION LIMITED	
2006	2005	2006	2005
\$'000	\$'000	\$'000	\$'000

187,421	185,462	187,421	185,462
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(b) Movements in shares on issue

	2006		2005	
	NUMBER OF SHARES	\$'000	NUMBER OF SHARES	\$'000
Ordinary				
Beginning of the financial year	124,338,225	185,462	123,869,725	184,547
Issued during the year				
– executive share options	119,000	234	468,500	915
– shares issued as consideration for equity settled transaction	500,000	1,725	–	–
End of the financial year	124,957,225	187,421	124,338,225	185,462

On 13 September 2001, the economic entity announced a capital management program, pursuant to which it is able to make on-market purchases of ordinary shares. The economic entity is able to purchase up to 10% of the ordinary shares in any twelve-month period.

(c) Share Options

Options over ordinary shares:

Employee share scheme

During the financial year, 600,000 options were issued over ordinary shares.

At the end of the year there were 625,000 (2005: 144,000) unissued ordinary shares in respect of which options were outstanding.

(d) Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

22

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
RESERVES				
Foreign currency translation	-	(58)	2,461	-
Employee benefits equity reserve	180	2	180	2
	180	(56)	2,641	2
(Accumulated losses)/Retained profits	(55,196)	(68,178)	(17,413)	(20,878)

(a) Foreign currency translation**(i) Nature and purpose of reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

(ii) Movements in reserve

Balance at beginning of year	(56)	(589)	-	-
Gain/(loss) on translation of overseas controlled entities	56	533	2,461	-
Balance at end of year	-	(56)	2,461	-

(b) Employee benefits equity reserve**(i) Nature and purpose of reserve**

The employee benefits equity reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. Refer to Note 27 for further details of these plans.

(ii) Movements in reserve

Balance at beginning of year	2	2	2	2
Share based payment	178	-	178	-
Balance at end of year	180	2	180	2

(c) (Accumulated losses)/Retained profits

Balance at the beginning of year	(68,178)	(75,946)	(20,878)	(24,855)
Transitional Adjustment AASB 139 – 1 July 2005	(689)	-	(689)	-
Net profit attributable to members of Prime Television Limited	30,494	22,658	20,977	18,867
Total available for appropriation	(38,373)	(53,288)	(590)	(5,988)
Dividends provided for or paid	(16,823)	(14,890)	(16,823)	(14,890)
Balance at end of year	(55,196)	(68,178)	(17,413)	(20,878)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans, finance lease contracts and cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions, including principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading of financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

Cash flow interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's policy is to keep at least 75% of its borrowings, at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. At 30 June 2006, after taking into account the effect of interest rate swaps, approximately 100% of the Group's borrowings are at a fixed rate of interest.

Foreign currency risk

From time to time the Group enters into transactions that give rise to currency exposure risks. Such currency exposures arise from purchases in currencies other than the Group's functional currency.

The Group reviews the transactional currency risks arising from large foreign currency transactions and enters into forward currency contracts to eliminate currency risks.

Credit risk

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance leases.

The Group currently has funding through:

- \$200 million Debenture Subscription Facility, which is currently drawn to 72% capacity (2005: 70%); and
- Long-Term finance lease contracts over specific items of plant and equipment.

It is the Group's policy that renegotiation of existing funding facilities is undertaken at least twelve months prior to the maturity date of the facility.

At 30 June 2006, 0.2% of the Group's debt will mature in less than one year (2005: 0%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

24 FINANCIAL INSTRUMENTS

(a) Fair value hedge

At balance date, the Company had interest rate swap agreements with a notional amount of \$150 million, (2005: \$125 million) on which it pays between 5.475% and 5.800% interest and receives the Bank Bill Swap Rate. The swaps are used to protect part of the Borrowings from exposure to increasing interest rates. The swaps in place cover 105% (2005: 89%) of the borrowings outstanding at balance date. Swap agreements expire in April 2010 and Sep 2010.

(b) Interest Rate Risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	<1 YEAR \$'000	>1 <2 YEARS \$'000	>2 <3 YEARS \$'000	>3 <4 YEARS \$'000	>4 <5 YEARS \$'000	> 5 YEARS \$'000	TOTAL \$'000	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %
Year Ended 30 June 2006								
Consolidated								
Financial Assets								
<i>Floating Rate</i>								
Cash Assets	20,168	-	-	-	-	-	20,168	4.84%
Financial Liabilities								
<i>Fixed Rate</i>								
Obligations under finance leases	678	627	581	538	498	2,081	5,003	8.0%
<i>Floating Rate</i>								
\$200M Secured bank facility	-	-	-	143,750	-	-	143,750	6.65%
Prime Television Limited								
Financial Liabilities								
<i>Floating Rate</i>								
\$200M Secured bank facility	-	-	-	143,750	-	-	143,750	6.65%
Year Ended 30 June 2005								
Consolidated								
Financial Assets								
<i>Floating Rate</i>								
Cash Assets	10,263	-	-	-	-	-	10,263	4.63%
Financial Liabilities								
<i>Fixed Rate</i>								
Obligations under finance leases	219	273	253	234	217	1,003	2,199	7.9%
<i>Floating Rate</i>								
\$200M Secured bank facility	-	-	-	-	140,250	-	140,250	6.15%
Prime Television Limited								
Financial Liabilities								
<i>Floating Rate</i>								
\$200M Secured bank facility	-	-	-	-	140,250	-	140,250	6.15%

All other financial instruments are interest-free.

(c) Net Fair Values

The total carrying amount as per the balance sheet for financial assets and financial liabilities equals their aggregate net fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

25 EXPENDITURE COMMITMENTS

(a) Capital expenditure commitments

Estimated capital expenditure contracted for at reporting date, but not provided for, payable:

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
– not later than one year	1,490	1,784	–	–

(b) Programming commitments:

– not later than one year	–	4,340	–	–
– later than one year and not later than five years	–	20,873	–	–
– later than five years	–	6,440	–	–
	–	31,653	–	–

(c) Lease expenditure commitments

Operating leases (non-cancellable):

Minimum lease payments

– not later than one year	5,207	7,367	–	–
– later than one year and not later than five years	14,314	22,602	–	–
– later than five years	24,373	25,114	–	–

Aggregate lease expenditure contracted for at reporting date

	43,894	55,083	–	–
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Operating leases have an average lease term for Motor Vehicles 3 years, Building Rentals 3 years + 3 year options and Transmission Agreements 5–15 years. Motor Vehicle leases are fixed monthly rentals for the term of the lease. Building Rentals are generally fixed for the initial lease term, then subject to CPI adjustments if options are taken up. The majority of the transmission sites leases are rentals that are subject to annual CPI adjustment.

Group as lessee

Certain assets owned and under operating leases with excess capacity have been sub-let to third parties

Operating leases (non-cancellable):

Minimum lease payments

– not later than one year	481	482	–	–
– later than one year and not later than five years	1,221	1,465	–	–
– later than five years	973	1,103	–	–

Aggregate lease expenditure contracted for at reporting date

	2,675	3,050	–	–
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	NOTES	CONSOLIDATED		PRIME TELEVISION LIMITED	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
(d) Other commitments covering the rental of technical equipment under a long-term agreement:					
– not later than one year		5,396	6,587	–	–
– later than one year and not later than five years		21,942	24,854	–	–
– later than five years		23,313	27,089	–	–
		50,651	58,530	–	–
(e) Finance Lease commitments:					
– not later than one year		713	230	–	–
– later than one year and not later than five years		2,844	1,228	–	–
– later than five years		3,688	1,829	–	–
Total minimum lease payments		7,245	3,287	–	–
– future finance charges		(2,241)	(1,088)	–	–
Lease liability		5,003	2,199	–	–
Current liability		328	62	–	–
Non-current liability		4,675	2,137	–	–
		5,003	2,199	–	–
(f) Finance Lease commitments at present value:					
– not later than one year		684	218	–	–
– later than one year and not later than five years		2,260	977	–	–
– later than five years		2,059	1,004	–	–
Presented value of minimum lease payments		5,003	2,199	–	–

The weighted average interest rate impact in the leases for the Group is 8.0% (2005: 7.9%).

26 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

The aggregate employee benefit liability comprises:

Accrued wages, salaries and on-costs

Provisions (current)	20	1,795	1,608	149	272
Provisions (non-current)	20	361	378	–	–
		2,156	1,986	149	272

Superannuation Benefits

A superannuation plan has been established by the economic entity for the provision of benefits to Australian employees of the economic entity on retirement, death or disability. Benefits provided under this plan are based on contributions for each employee and at retirement are equivalent to accumulated contributions and earnings. All death and disability benefits are insured with various life assurance companies. Employees contribute various percentages of their gross income and the company also contributes at varying rates. The company's contributions under the Superannuation Guarantee Levy are legally enforceable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

27 SHARE BASED PAYMENTS PLANS

Employee Share Incentive Scheme

The economic entity has in place an Executive Share Option Scheme. At two Annual General Meetings (1992 and 1995), shareholders have given approval to the terms of the Prime Television Share Option Scheme presented to the meetings. Participation in the Scheme is available to any Director of the parent entity and any person who is in the employment of the economic entity. Recommendations in respect of allocations of share options under the Scheme are made by the Remuneration Committee, for approval by the Board. The total number of Options on issue by the parent entity shall not at any time exceed five per cent (5%) of the parent entity's total number of ordinary shares on issue of which the total number of Options on issue by the parent entity to directors of the parent entity shall not exceed two point five per cent (2.5%) of the total number of ordinary shares on issue.

Information with respect to the number of options granted under the employee share incentive scheme is as follows:

	2006		2005	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Balance at beginning of year	144,000	\$1.96	672,500	\$1.95
granted	600,000	\$3.17	–	–
exercised	119,000	\$1.97	468,500	\$1.95
cancelled	–	–	60,000	\$1.95
Balance at end of year	625,000	\$2.80	144,000	\$1.96
Exercisable at end of year	25,000	\$1.91	114,000	\$1.96

(a) Options held at the beginning of the reporting period:

The following table summarises information about options held by employees as at 1 July 2005:

NUMBER OF OPTIONS	GRANT DATE	EXPIRY DATE	AVERAGE EXERCISE PRICE
99,000	15.09.00	30.06.06	\$1.97
40,000	30.08.02	30.08.07	\$1.95
5,000	20.11.01	20.11.06	\$1.72

(b) Options granted during the reporting period:

During the year the following options were granted.

NUMBER OF OPTIONS	GRANT DATE	EXPIRY DATE	AVERAGE EXERCISE PRICE
600,000	18.11.05	18.11.10	\$3.17

(c) Options exercised

(i) The following table summarises information about options exercised by employees during the year ended 30 June 2006:

NUMBER OF OPTIONS	GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE	PROCEEDS FROM SHARES ISSUED	NUMBER OF SHARES ISSUED	ISSUE DATE	FAIR VALUE OF SHARES ISSUED
10,000	30.08.02	04.11.05	30.08.07	\$1.95	\$19,500	10,000	04.11.05	\$3.35
10,000	30.08.02	22.03.06	30.08.07	\$1.95	\$19,500	10,000	22.03.06	\$3.60
50,000	15.09.00	22.03.06	15.09.05	\$1.97	\$98,500	50,000	22.03.06	\$3.60
49,000	15.09.00	22.06.06	15.09.05	\$1.97	\$96,530	49,000	22.06.06	\$3.48

The weighted average share price at the date of exercise was \$3.53.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

27. SHARE BASED PAYMENTS PLANS (CONTINUED)

(ii) The following table summarises information about options exercised by employees during the year ended 30 June 2005:

NUMBER OF OPTIONS	GRANT DATE	EXERCISE DATE	EXPIRY DATE	EXERCISE PRICE \$	PROCEEDS FROM SHARES ISSUED	NUMBER OF SHARES ISSUED	ISSUE DATE OF THE SHARES	FAIR VALUE OF SHARES ISSUED
400,000	15.09.00	30.11.04	15.09.05	1.97	\$788,000	400,000	30.11.04	\$3.16
10,000	30.08.02	30.11.04	30.08.07	1.95	\$19,500	10,000	30.11.04	\$3.16
32,500	20.11.01	30.11.04	20.11.06	1.72	\$55,900	32,500	30.11.04	\$3.16
6,000	30.08.02	01.12.04	30.08.07	1.95	\$11,700	6,000	01.12.04	\$3.15
10,000	30.08.02	08.12.04	30.08.07	1.95	\$19,500	10,000	08.12.04	\$3.16
10,000	30.08.02	07.06.05	30.08.07	1.95	\$19,500	10,000	07.06.05	\$3.15

The weighted average share price at the date of exercise was \$3.16.

Fair value of shares issued during the reporting period is estimated to be the market price of shares of Prime Television Limited on the ASX as at close of trading on their respective issue dates.

(d) Options held as at the end of the reporting period:

The following table summarises information about options held by the employees as at 30 June 2006:

NUMBER OF OPTIONS	GRANT DATE	EXPIRY DATE	AVERAGE EXERCISE PRICE
600,000	18.11.05	18.11.10	\$3.17
20,000	30.08.02	30.08.07	\$1.95
5,000	20.11.01	20.11.06	\$1.72

Vesting Date

These options, are subject to specific conditions regulating their exercise which include phased vesting on an annual basis with full vesting after three years, and the requirement for the parent entity share price to appreciate by at least 20% above the Offering Price (Exercise Price) for a continuous period of at least three ASX trading days prior to the vesting date, as a pre-condition to exercise.

FAIR VALUES OF OPTIONS:

The Company uses the fair value measurement provisions of AASB 2: *Share Based Payments*. The fair value of such grants are amortised on a straight-line basis and included under employee benefits expense in the income statement is \$178,001 (2005: nil). No adjustments have been, or will be, made to reverse amounts previously disclosed in relation to options that never vest (i.e. forfeitures).

The fair value of each option granted during the year is estimated on the date of grant using a Binomial option-pricing model with the following weighted average assumptions.

Dividend yield (%)	4.14
Expected volatility (%)	30-35
Historical volatility (%)	30-35
Risk-free interest rate (%)	5.29
Expected life of options (years)	4

The dividend yield reflects the assumption that the current dividend payout will continue with no anticipated increases. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The weighted average fair value of the option granted during the year was \$0.927.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

28 CONTINGENT LIABILITIES

The economic entity has not entered into any agreements, which would give rise to a contingent liability in the current year.

29 SUBSEQUENT EVENTS

None.

30 ECONOMIC DEPENDENCY

A large proportion of television programs of the economic entity are delivered by Amalgamated Television Services Pty Limited on behalf of the Seven Network (the Network) in accordance with program purchasing arrangements (the arrangements) in force until 2016. Prior to the execution of the arrangements, the economic entity had earlier agreements with the Network that ran from 1989 to 2006. These arrangements allow (but do not compel) the economic entity to broadcast all programs screened by the Network, for a fee that is calculated by reference to the revenues earned by the economic entity within a particular licence area. The arrangements are typical of those in place between all regional television broadcasters and the metropolitan networks, and include provisions dealing with the delivery of programs, the rights of the economic entity to broadcast the programs, the procedure for extension of the arrangements, the Network's rights upon changes of control or insolvency of the economic entity, the formulae for calculation of payments and the procedures for resolution of disputes.

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006	2005	2006	2005
	\$	\$	\$	\$

31 AUDITORS' REMUNERATION

Amounts received or due and receivable by:

Ernst & Young Australia for:

– an audit or review of the financial report of the entity and any other entity in the consolidated entity	292,922	209,289	292,922	209,289
– other services in relation to the entity and any other entity in the consolidated entity	166,325	166,164	166,325	166,164
	459,247	375,453	459,247	375,453

Amounts received or due and receivable by auditors other than Ernst & Young Australia for:

– an audit or review of the financial report of a subsidiary entity	29,547	34,683	–	–
– other services in relation to a subsidiary entity	105,726	18,666	–	–
	135,273	53,349	–	–
	594,520	428,802	459,247	375,453

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

32 RELATED PARTY DISCLOSURES

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

NAME	COUNTRY OF INCORPORATION	EQUITY INTEREST	
		2006 %	2005 %
Prime Television (Holdings) Pty Limited	Australia	100	100
And its controlled entities:			
Zamojill Pty Limited	Australia	100	100
Prime Television (Southern) Pty Limited	Australia	100	100
Prime Television (Northern) Pty Limited	Australia	100	100
Prime Television (Victoria) Pty Limited	Australia	100	100
And its controlled entity:			
Prime Properties (Albury) Pty Limited	Australia	100	100
Prime Television New Zealand Limited	New Zealand	100	100
Prime Television Digital Media Pty Limited	Australia	100	100
Prime Television (Investments) Pty Limited	Australia	100	100
And its controlled entity:			
Golden West Network Pty Limited	Australia	100	100
And its controlled entities:			
Mining Television Network Pty Limited	Australia	100	100
Telepro Pty Limited	Australia	100	100
Golden West Satellite Communications Pty Limited	Australia	100	100
Sonic Enterprises Pty Limited	Australia	100	100
135 Nominees Pty Limited	Australia	100	100
And its controlled entities:			
Mid-Western Television Pty Limited	Australia	100	100
Geraldton Telecasters Pty Limited	Australia	100	100
Prime Radio (Cairns) Pty Limited	Australia	100	–
Prime Radio (Townsville) Pty Limited	Australia	100	–
Prime Radio (Barrier Reef) Pty Limited	Australia	100	–
Prime Radio (Rockhampton) Pty Limited	Australia	100	–
Prime Radio (Gladstone) Pty Limited	Australia	100	–
Prime Radio (Mackay) Pty Limited	Australia	100	–
Prime Media Developments Pty Limited	Australia	100	100
Seven Affiliate Sales Pty Limited	Australia	75	75

Ultimate parent

Paul Ramsay Holdings Pty Limited is the ultimate Australian controlling entity.

Wholly owned Group transactions

Sales made, revenue collected and payments disbursed, are under normal commercial terms and conditions. Interest and borrowing costs recoveries are assessed on outstanding balances between entities within the wholly owned Group.

Transactions with Other Related Parties

Seven Affiliate Sales sells national airtime on behalf of Prime Television Limited and Seven Queensland. Costs are reimbursed on the basis of percentage share of revenue. During the financial year, Prime Television Limited paid approximately 77% of the operating expenses of Seven Affiliate Sales amounting to \$4,798,812 (2005: \$4,327,221).

As Seven Affiliate Sales is a controlled entity, all of the results of its operation have been consolidated into the Prime Television Limited financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

PJ Ramsay	Chairman (non-executive)
MS Siddle	Deputy Chairman (non-executive)
PJ Evans	Director (non-executive)
T Jackman	Director (non-executive)
A Hamill	Director (non-executive)

(ii) Executives

W Syphers	Chief Executive Officer, Chief Financial Officer, Prime Television Limited
D Edwards	Chief Operating Officer
G Smith	General Manager, Engineering and Information Technology
A Butorac	General Manager, Broadcast Operations
R Howarth	General Manager, Seven Affiliate Sales Pty Limited

(b) Compensation of Key Management Personnel

Remuneration policy

The remuneration policy of Prime Television Limited has been established within a framework that ensures alignment of director and executive objectives with those of shareholders and the general business objectives of the Company.

Remuneration committee

The Remuneration Committee of the Board of Directors determines and reviews the remuneration packages and employment conditions applicable to executive directors and the senior management staff.

Salaries are customarily set prior to the commencement of an operating period. In making these determinations, regard is had to comparable industry or professional salary levels, and to the specific performance of the individuals concerned. The Chairman of the Remuneration Committee makes recommendations in this respect to the full Board.

Currently there are no executive directors on the Board.

Employee Share Incentive Scheme

The economic entity has in place an Executive Share Option Scheme. At two Annual General Meetings (1992 and 1995), shareholders have given approval to the terms of the Prime Television Share Option Scheme presented to the meetings. Participation in the Scheme is available to any Director of the parent entity and any person who is in the employment of the economic entity. Recommendations in respect of allocations of share options under the Scheme are made by the Remuneration Committee, for approval by the Board. In accordance with the Listing Rules of the Australian Stock Exchange, options proposed to be issued to executive directors are submitted for approval by shareholders in general meeting. The total number of Options on issue by the parent entity shall not at any time exceed five per cent (5%) of the parent entity's total number of ordinary shares on issue of which the total number of Options on issue by the parent entity to directors of the parent entity shall not exceed two point five per cent (2.5%) of the total number of ordinary shares on issue.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

Non-Executive Director remuneration

OBJECTIVE

The remuneration of Non-Executive Directors is determined by the Board as a whole. The Board seeks to set aggregate remuneration at a level which provides the Company with an ability to attract and retain directors of the highest caliber, within a cost that is acceptable to shareholders.

STRUCTURE

As per the Company's Constitution and the ASX Listing Rules, the total quantum of Non-Executive Directors' fees is subject to the approval of shareholders in General Meeting. The last aggregate increase in annual

remuneration was approved by shareholders in November 2005, when shareholders approved an aggregate remuneration of \$550,000 per annum (excluding superannuation).

The Directors' Retirement Plan, approved by shareholders in November 1997, applies currently to the independent Directors Mr Terry Jackman and Mr Alex Hamill.

Details of the nature and amount of each element of the remuneration received by each Non-Executive Director of the Company is outlined in Table 1 on page 66 of this report.

Executive Director and senior manager remuneration

OBJECTIVE

The remuneration of executive directors and senior managers is determined by the Remuneration Committee of the Board.

The Company seeks to reward executives with a level and mix of remuneration commensurate with their positions and responsibilities within the Company so as to:

- align the interests of the executives with those of shareholders;
- link rewards with the strategic goals and performance of the Company; and
- ensure that total remuneration is competitive by market standards.

STRUCTURE

The executive remuneration levels are reviewed on an annual basis in accordance with the guidelines approved by the Board as part of the annual budget process. In order to determine the appropriate level and composition of executive remuneration, the Remuneration Committee considers information obtained from the formal performance appraisal process as well as market data obtained from a number of independent sources.

Executive remuneration packages consist of the following elements:

- Fixed remuneration comprises salary, superannuation, other benefits provided that are not subject to any target achievement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2006

- Variable remuneration comprises a mixture of short-term and long-term incentives. These incentives usually consist of cash payments but have also included the issue of share options under the Prime Television Share Option Scheme.

Fixed remuneration

OBJECTIVE

Prime aims to set fixed annual remuneration levels at competitive market levels for jobs of comparable nature, size and level of responsibility.

Fixed remuneration levels are reviewed annually and the process consists of a review of company, business unit and individual performance appraisal as well as analysis of the external market conditions.

STRUCTURE

Senior management staff are given the opportunity to receive their fixed remuneration in a number of forms including cash, superannuation and fringe benefits such as motor vehicles. The methods of payment available are intended to give optimal benefit to the recipient without creating undue cost for the Company.

The fixed remuneration components of the named executives are outlined in Table 2 on page 66 of this report.

Variable remuneration – Short-term incentives (STI)

OBJECTIVE

The STI are set in a manner that aims to link the achievement of the Company's operational targets with the remuneration received by the executives responsible for meeting those targets. The levels of STI are set so as to provide sufficient incentive for senior managers to strive to achieve the set operational targets whilst maintaining a reasonable cost to the Company.

STRUCTURE

The actual STI payments granted to each senior manager are dependent on the extent to which specific operational targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPI) covering both financial and non-financial performance measures. Typically the KPIs will include a combination of direct targets such as sales and expenditure budgets, market share objectives and operational management objectives as well as broader company targets such as company and divisional earnings targets. Each executive's STI scheme consists of a combination of benchmarks against which the executive is measured. Some of these benchmarks have fixed targets which trigger payments whilst other benchmarks may trigger proportional payment based on performance towards meeting the benchmark.

On an annual basis the performance of each executive is assessed against their KPIs in determining the eligibility for payments from the STI pool. The STIs for some executives are calculated in relation to pre-determined formulas tied to their KPIs and fixed remuneration packages, whilst other executives are assessed against their KPIs and the extent of the STI payment made to these executives is at the discretion of the Remuneration Committee within the predetermined and authorised STI pool.

The maximum aggregate of STI payments available to executives is subject to the approval of the Board of Directors as part of the annual budget process, with the minimum payable being zero if no performance conditions are met. Payments of STI are usually delivered as a cash bonus or additional superannuation contributions, subject to compliance with relevant eligible contribution rules. Payments arising from the STI pool are generally made within three months of the reporting date.

For the 2005 financial year, 100% of the STI cash bonus pool vested to

executives and was paid during the 2006 financial year. The Remuneration Committee has considered the STI payments for the 2006 financial year and has determined to pay 100% of the STI pool. The total STI pool for the 2006 was \$630,000.

The STI remuneration components of the named executives are outlined in Table 2 on page 66 of this report.

Variable remuneration – Long-term incentives (LTI)

OBJECTIVE

The objective of LTI is to reward senior executives in a manner which aligns their interests more closely with those of the Company's shareholders.

STRUCTURE

The LTIs are delivered through the granting of options to selected executives.

Recommendations in respect of allocations of share options under the Prime Television Share Option Scheme are made by the Remuneration Committee, for approval by the Board. In accordance with the Listing Rules of the Australian Stock Exchange, options proposed to be issued to Executive Directors are submitted for approval by shareholders in general meeting. Terms and conditions of the Share Option Scheme are set out earlier in this report.

Relationship of rewards to performance

Each grant of options is subject to specific conditions set out in the Prime Share Option Scheme Deed, which include phased vesting on an annual basis with full vesting after three years, and the requirement for the parent entity share price to appreciate by at least 20% above the Offering Price (Exercise Price) for continuous period of at least three ASX trading days prior to the vesting date.

The LTI remuneration components of the named executives are outlined in Table 2 on page 66 of this report.

There have been 600,000 options granted during the year ended 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(c) Compensation of Key Management Personnel for the year ended 30 June 2006

	SHORT-TERM				POST EMPLOYMENT		LONG-TERM	SHARED-BASED	TOTAL	% PERFORMANCE RELATED
	SALARY & FEES	BONUS	NON-CASH BENEFITS	OTHER	SUPER-ANNUATION	RETIREMENT BENEFITS	INCENTIVE PLANS	PAYMENT OPTIONS		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Table 1: Directors										
PJ Ramsay (Chairman)										
2006	70,833	-	-	-	6,375	-	-	-	77,208	-
2005	50,000	-	-	-	4,500	-	-	-	54,500	-
MS Siddle (Deputy Chairman)										
2006	57,700	-	-	-	5,193	-	-	-	62,893	-
2005	46,200	-	-	-	4,158	-	-	-	50,358	-
PJ Evans (Non-executive)										
2006	57,000	-	-	-	5,130	-	-	-	62,130	-
2005	92,000	-	-	-	3,780	-	-	-	95,780	-
T Jackman (Non-executive)										
2006	57,000	-	-	-	5,130	-	-	-	62,130	-
2005	42,000	-	-	-	3,780	-	-	-	45,780	-
A Hamill (Non-executive)										
2006	62,130	-	-	-	-	-	-	-	62,130	-
2005	45,780	-	-	-	-	-	-	-	45,780	-
RJ Cotton (Non-executive) – resigned 2 September 2005										
2006	29,700	-	-	146,000	630	-	-	-	176,330	-
2005	42,000	-	-	-	3,780	-	-	-	45,780	-
Total Remuneration: Directors										
2006	334,363	-	-	146,000	22,458	-	-	-	502,821	-
2005	317,980	-	-	-	19,998	-	-	-	337,978	-
Table 2: Executives										
W Syphers (Chief Executive Officer, Chief Financial Officer)										
2006	274,596	75,000	16,912	-	14,637	-	-	73,750	454,892	32.7
2005	203,924	15,766	10,381	-	11,585	-	-	2,152	243,808	7.4
D Edwards (Chief Operating Officer)										
2006	216,421	116,238	5,096	-	13,998	-	-	59,295	411,048	42.7
2005	188,998	99,807	2,221	-	11,585	-	-	2,035	304,646	33.4
R Howarth (General Manager – Seven Affiliate Sales)										
2006	183,956	34,067	26,303	-	13,716	-	-	-	258,042	13.2
2005	179,430	30,219	24,705	-	11,585	-	-	-	253,993	11.9
G Smith (General Manager – Engineering & IT)										
2006	200,500	25,000	17,712	-	13,615	-	-	44,545	301,372	23.1
2005	194,540	30,460	13,831	-	11,585	-	-	2,035	252,451	12.9
A Butorac (General Manager – Broadcasting TV)										
2006	140,438	30,998	24,378	-	12,773	-	-	-	208,587	14.9
2005	131,446	35,099	27,055	-	11,585	-	-	-	205,185	17.1
Total Remuneration: Executives										
2006	1,015,911	281,303	91,567	-	68,739	-	-	177,590	1,633,941	28.1
2005	898,338	211,351	78,193	-	57,925	-	-	6,222	1,252,029	17.4

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

Compensation of Key Management Personnel – Compensation by Category

	CONSOLIDATED		PRIME TELEVISION LIMITED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Short-term	1,716	1,506	335	318
Post employment	91	78	22	20
Other long-term	–	–	–	–
Termination benefits	146	–	146	–
Share-based payment	178	6	–	–
	2,131	1,590	503	338

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

During the financial year options were granted as equity compensation benefits under the long-term incentive plan to certain key management personnel as disclosed above. No share options have been granted to the Non-Executive Directors of the Board of Directors under this scheme. The options were issued at a price of \$0.001 per option. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price determined by reference to the market price of the shares in the period immediately prior to the date of the grant. The contractual life of each option granted is five years.

Vesting Date

These options, are subject to specific conditions regulating their exercise which include phased vesting on an annual basis with full vesting after three years, and the requirement for the parent entity share price to appreciate by at least 20% above the Offering Price (Exercise Price) for a continuous period of at least three ASX trading days prior to the vesting date, as a pre-condition to exercise.

	VESTED NUMBER	GRANTED NUMBER	GRANT DATE	TERMS AND CONDITIONS FOR EACH GRANT				
				FAIR VALUE PER OPTION AT GRANT DATE \$	EXERCISE PRICE PER OPTION \$	EXPIRY DATE	FIRST EXERCISE DATE	LAST EXERCISE DATE
W Syphers								
2006	–	250,000	18/11/05	\$0.927	\$3.17	18/11/10	18/11/07	18/11/10
2005	37,500							
D Edwards								
2006	10,000	200,000	18/11/05	\$0.927	\$3.17	18/11/10	18/11/07	18/11/10
2005	6,000							
G Smith								
2006	10,000	150,000	18/11/05	\$0.927	\$3.17	18/11/10	18/11/07	18/11/10
2005	6,000							
Total 2006	20,000	600,000						
Total 2005	49,500	–						

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(d) Shares issued on exercise of remuneration options

	SHARES ISSUED NUMBER	PAID \$ PER SHARE	UNPAID \$ PER SHARE
Executives			
W Syphers			
2006	–	–	–
2005	32,500	1.72	–
G Smith			
2006	10,000	1.95	–
2005	10,000	1.95	–
Total 2006	10,000		
Total 2005	42,500		

(e) Option holdings of key management personnel

	BALANCE AT BEGINNING OF PERIOD 1 JULY 2005	GRANTED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE OTHER	BALANCE AT END OF PERIOD 30 JUNE 2006	VESTED AT 30 JUNE 2006		
						TOTAL	NOT EXERCISABLE	EXERCISABLE
2006								
Directors								
PJ Ramsay	–	–	–	–	–	–	–	–
MS Siddle	–	–	–	–	–	–	–	–
RJ Cotton	–	–	–	–	–	–	–	–
PJ Evans	–	–	–	–	–	–	–	–
PT Jackman	–	–	–	–	–	–	–	–
AA Hamill	–	–	–	–	–	–	–	–
Executives								
G Smith	10,000	150,000	10,000	–	150,000	150,000	150,000	–
W Syphers	5,000	250,000	–	–	255,000	255,000	250,000	5,000
D Edwards	20,000	200,000	–	–	220,000	220,000	200,000	20,000
Total	35,000	600,000	10,000	–	625,000	625,000	600,000	25,000
2005								
Directors								
PJ Ramsay	–	–	–	–	–	–	–	–
MS Siddle	–	–	–	–	–	–	–	–
RJ Cotton	–	–	–	–	–	–	–	–
PJ Evans	–	–	–	–	–	–	–	–
PT Jackman	–	–	–	–	–	–	–	–
AA Hamill	–	–	–	–	–	–	–	–
Executives								
G Smith	20,000	–	10,000	–	10,000	–	–	–
W Syphers	37,500	–	32,500	–	5,000	5,000	–	5,000
D Edwards	20,000	–	–	–	20,000	10,000	–	10,000
Total	77,500	–	42,500	–	35,000	15,000	–	15,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(f) Shareholdings of key management personnel

SHARES HELD IN PRIME TELEVISION LIMITED (NUMBER)	OPENING BALANCE ORDINARY	GRANTED AS REMUNERATION ORDINARY	ON EXERCISE OF OPTIONS ORDINARY	NET CHANGE OTHER ORDINARY	CLOSING BALANCE ORDINARY
2006					
Directors					
PJ Ramsay	51,262,780	-	-	-	51,262,780
MS Siddle	10,210	-	-	-	10,210
PJ Evans	5,000	-	-	-	5,000
PT Jackman	-	-	-	-	-
AA Hamill	-	-	-	-	-
Executives					
D Edwards	-	-	-	-	-
W Syphers	500	-	-	-	500
R Howarth	-	-	-	-	-
G Smith	-	-	10,000	(9,550)	450
A Butorac	-	-	-	-	-
Total	51,281,411	-	10,000	(9,550)	51,278,940
2005					
Directors					
PJ Ramsay	50,339,081	-	-	923,699	51,262,780
MS Siddle	10,210	-	-	-	10,210
PJ Evans	5,000	-	-	-	5,000
PT Jackman	-	-	-	-	-
AA Hamill	-	-	-	-	-
Executives					
D Edwards	-	-	-	-	-
W Syphers	-	-	32,500	(32,000)	500
R Howarth	-	-	-	-	-
G Smith	-	-	10,000	(10,000)	-
A Butorac	-	-	-	-	-
Total	50,357,212	-	42,500	881,699	51,281,411

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

33. DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

(g) Loans to key management personnel

(i) Details of aggregates of loans to specified directors and specified executives are as follows:

	BALANCE AT BEGINNING OF PERIOD \$	INTEREST CHARGED \$	INTEREST NOT CHARGED \$	WRITE OFF \$	BALANCE AT END OF PERIOD \$	NUMBER IN GROUP 30 JUNE 2006
Directors						
2006	-	-	-	-	-	-
2005	-	-	-	-	-	-
Executives						
2006	30,000	1	-	-	-	-
2005	-	-	-	-	30,000	1
Total						
2006	30,000	1	-	-	-	-
2005	-	-	-	-	30,000	1

TERMS AND CONDITIONS OF LOANS

Executives are charged interest at the rate equal to the benchmark interest rate set by the Australian Taxation Office, 2006: 7.05% p.a. The loan was for a period of less than 12 months.

(h) Other transactions and balances with Directors and Executives

There were no other transactions and balances with directors or specified executives other than those disclosed in this note during the year ended 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

34 SEGMENT INFORMATION – PRIMARY SEGMENT

Segment accounting policies

Segment accounting policies are the same as the consolidated entity's policies described in Note 2. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information. The Group operated during the reporting period in two geographical segments, Australia and New Zealand, and in the business segment of Media Broadcasting. Operations in New Zealand were discontinued in February 2006.

GEOGRAPHICAL SEGMENT	CONSOLIDATED	
	2006 \$'000	2005 \$'000
Operating Revenues from continuing operations		
External Customers		
Australia	193,926	172,094
Total operating revenues from continuing operations	193,926	172,094
Operating Revenues from discontinuing operations		
External Customers		
New Zealand	19,856	23,708
Total operating revenues from discontinuing operations	19,856	23,708
Total consolidated revenues	213,782	195,802
Segment Results		
Segment profit/(loss) from continuing operations		
Australia	41,220	37,698
Profit before tax from continuing operations	41,220	37,698
Income tax (expense)	(12,342)	(11,365)
Profit after tax from continuing operations	28,878	26,333
Segment profit/(loss) from discontinuing operations		
New Zealand	1,616	(3,675)
Profit/(loss) before tax from discontinuing operations	1,616	(3,675)
Income tax (expense)	–	–
Profit/(loss) after tax from discontinuing operations	1,616	(3,675)
Net profit for the period attributable to members	30,494	22,658
Segment Assets		
Australia	326,677	282,545
New Zealand	1,749	24,120
Total Assets	329,426	306,665
Segment Liabilities		
Australia	194,904	180,656
New Zealand	2,115	8,781
Total Liabilities	197,019	189,437

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

GEOGRAPHICAL SEGMENT	CONSOLIDATED	
	2006 \$'000	2005 \$'000
34. SEGMENT INFORMATION – PRIMARY SEGMENT (CONTINUED)		
Other Segment Information		
Acquisition of property, plant and equipment, intangible assets and other non-current assets		
Australia	31,749	9,769
New Zealand	1,092	5,375
	32,841	15,144
Depreciation and amortisation		
Australia	9,900	9,374
New Zealand	1,182	1,172
	11,082	10,546
Cash flow information		
Net cash flow from operating activities		
Australia	34,127	30,622
New Zealand	(3,640)	(1,496)
	30,487	29,126
Net cash flow from investing activities		
Australia	(30,460)	(8,862)
New Zealand	23,461	(5,339)
	(7,179)	(14,201)
Net cash flow from financing activities		
Australia	(13,245)	(13,726)
New Zealand	-	-
	(13,245)	(13,726)

35

TRANSITION TO AIFRS

For all periods up to and including the year ended 30 June 2005, the Group prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Group is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Group has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 2. In preparing these financial statements, the Group has started from an opening balance sheet as at 1 July 2004, the Group's date of transition to AIFRS, and made those changes in accounting policies and other

restatements required by AASB 1: *First time adoption of AIFRS*.

This note explains the principal adjustments made by the Group in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

EXEMPTIONS APPLIED

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The Group has taken the following exemptions:

- Comparative information for financial instruments is prepared in accordance with AGAAP and the company and group have adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* from 1 July 2005.

- AASB 3 *Business Combinations* has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 July 2004.
- AASB 2: *Share-based Payments* has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005.

EXPLANATION OF MATERIAL ADJUSTMENTS TO THE CASH FLOW STATEMENT

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

35. TRANSITION TO AIFRS (CONTINUED)

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004

	CONSOLIDATED			PRIME TELEVISION LIMITED		
	AGAAP \$'000	AIFRS IMPACT \$'000	AIFRS \$'000	AGAAP \$'000	AIFRS IMPACT \$'000	AIFRS \$'000
Current assets						
Cash	9,114	–	9,114	–	–	–
Receivables	31,412	–	31,412	71	–	71
Inventories/Intangibles	7,290	–	7,290	–	–	–
Prepayments	548	–	548	–	–	–
Derivatives	–	–	–	–	–	–
Total current assets	48,364	–	48,364	71	–	71
Non-current assets						
Receivables	–	–	–	425,209	–	425,209
Inventories	1,548	–	1,548	–	–	–
Investments	332	–	332	213,504	(95,447)	118,057
Property, plant and equipment	59,434	–	59,434	199	–	199
Deferred Income Tax Assets	2,169	1,663	3,832	2,082	414	2,496
Intangibles	269,436	(86,473)	182,963	–	–	–
Prepayments	2,247	–	2,247	999	–	999
Total non-current assets	335,166	(84,810)	250,356	641,993	(95,033)	546,960
Total assets	383,530	(84,810)	298,720	642,064	(95,033)	547,031
Current liabilities						
Payables	21,850	4,162	26,012	28	–	28
Interest-bearing liabilities	–	–	–	–	–	–
Current tax liabilities	5,890	–	5,890	5,864	–	5,864
Provisions	6,237	–	6,237	3,243	–	3,243
Derivatives	–	–	–	–	–	–
Total current liabilities	33,977	4,162	38,139	9,135	–	9,135
Non-current liabilities						
Payables	1,734	–	1,734	235,170	–	235,170
Interest-bearing liabilities	140,000	–	140,000	140,000	–	140,000
Deferred tax liabilities	3,034	6,863	9,897	3,034	(2)	3,032
Provisions	347	–	347	–	–	–
Total non-current liabilities	145,115	6,863	151,978	378,204	(2)	378,202
Total liabilities	179,092	11,025	190,117	387,339	(2)	387,337
Net assets	204,438	(95,835)	108,603	254,725	(95,031)	159,694
Equity						
Parent entity interest	–	–	–	–	–	–
Contributed equity	184,547	–	184,547	184,547	–	184,547
Reserves	53,129	(53,127)	2	63,552	(63,550)	2
(Accumulated losses)/ Retained profits	(33,238)	(42,708)	(75,946)	6,626	(31,481)	(24,855)
Total equity	204,438	(95,835)	108,603	254,725	(95,031)	159,694

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

35. TRANSITION TO AIFRS (CONTINUED)

Balance Sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005

	CONSOLIDATED			PRIME TELEVISION LIMITED		
	AGAAP \$'000	AIFRS IMPACT \$'000	AIFRS \$'000	AGAAP \$'000	AIFRS IMPACT \$'000	AIFRS \$'000
Current assets						
Cash	10,263	–	10,263	–	–	–
Receivables	32,959	–	32,959	67	–	67
Inventories/Intangibles	8,875	–	8,875	–	–	–
Prepayments	663	–	663	–	–	–
Derivatives	–	–	–	–	–	–
Total current assets	52,760	–	52,760	67	–	67
Non-current assets						
Receivables	–	–	–	451,340	(6,796)	444,544
Inventories	511	(511)	–	–	–	–
Other financial assets	–	–	–	213,501	(95,447)	118,054
Available-for-sale financial investments	332	–	332	3	–	3
Property, plant and equipment	65,330	–	65,330	99	–	99
Deferred Income Tax Assets	1,372	1,539	2,911	1,287	1,206	81
Intangibles	269,436	(85,962)	183,474	–	–	–
Prepayments	1,858	–	1,858	1,107	–	1,107
Total non-current assets	338,839	(84,834)	253,905	667,337	(103,449)	563,888
Total assets	391,599	(84,934)	306,665	667,404	(103,449)	563,955
Current liabilities						
Payables	25,893	1,370	27,263	1,030	–	1,030
Interest-bearing liabilities	62	–	62	–	–	–
Current tax liabilities	4,592	–	4,592	4,612	–	4,612
Provisions	3,622	–	3,622	272	–	272
Derivatives	–	–	–	–	–	–
Total current liabilities	34,169	1,370	35,539	5,914	–	5,914
Non-current liabilities						
Payables	1,969	–	1,969	260,034	(6,864)	253,170
Interest-bearing liabilities	142,387	–	142,387	140,250	–	140,250
Deferred tax liabilities	1,676	7,488	9,164	1,678	(1,643)	35
Provisions	378	–	378	–	–	–
Total non-current liabilities	146,410	7,488	153,898	401,962	(8,507)	393,455
Total liabilities	180,579	8,858	189,437	407,876	(8,507)	399,369
Net assets	211,020	(93,792)	117,228	259,528	(94,942)	164,586
Equity						
Parent entity interest						
Contributed equity	185,462	–	185,462	185,462	–	185,462
Reserves	53,071	(53,127)	(56)	63,552	(63,550)	2
(Accumulated losses)/Retained profits	(27,513)	(40,665)	(68,178)	10,514	(31,392)	(20,878)
Total equity	211,020	(93,792)	117,228	259,528	(94,942)	164,586

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

35. TRANSITION TO AIFRS (CONTINUED)

Income Statement reconciliation of adjustments to AIFRS for the year ended 30 June 2005

	CONSOLIDATED			PRIME TELEVISION LIMITED		
	AGAAP \$'000	AIFRS IMPACT \$'000	AIFRS \$'000	AGAAP \$'000	AIFRS IMPACT \$'000	AIFRS \$'000
Continuing operations						
Revenues from continuing operations	164,195	7,899	172,094	33,889	–	33,889
Expenses	(119,906)	(5,106)	(125,012)	2,310	–	2,310
Borrowing costs	(9,384)	–	(9,384)	(9,356)	–	(9,356)
Profit from continuing operations	34,905	2,793	37,698	26,843	–	26,843
Income tax (expense) on continuing operations	(10,615)	(750)	(11,365)	(8,065)	89	(7,976)
Profit from continuing operations after tax	24,290	2,043	26,333	18,778	89	18,867
Discontinuing operations						
Revenues from discontinuing operations	23,708	–	23,708	–	–	–
Expenses from discontinuing operations	(27,383)	–	(27,383)	–	–	–
Profit from discontinuing operations	(3,675)	–	(3,675)	–	–	–
Income tax (expense) on discontinuing operations	–	–	–	–	–	–
Profit from discontinuing operations after tax	(3,675)	–	(3,675)	–	–	–
Net profit for period attributable to members of Prime Television Limited	20,615	2,043	22,658	18,778	89	18,867

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

35. TRANSITION TO AIFRS
(CONTINUED)

Impacts of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 (AGAAP) are illustrated below.

A. Intangible Assets – Television Licences

Under AASB 138, intangible assets must be initially measured at cost and revaluation of the asset is only permitted where an active market exists for the asset. AASB138 specifically states that mastheads, brands and other such assets are unlikely to have active markets due to their unique nature. The Group is of the understanding that this interpretation would also cover television licences, and as such the Group has reversed all previous revaluation increments against the existing asset revaluation reserve and retained earnings. An adjustment to retained earnings will arise as the current balance of the asset revaluation reserve includes the impact of previous revaluation decrements to this asset class which will not reverse under AIFRS.

In accordance with AASB 138, the television licences are considered to have indefinite useful lives because based on relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows to the Group. Consequently, these intangible assets will not be subject to amortisation charges, but will be subject to annual impairment testing in accordance with AASB 136: *Impairment of Assets*.

B. Income taxes – Deferred Tax Liabilities on Asset Revaluation Reserves

AASB 112: *Income Taxes* requires the Group to use the balance sheet liability method, rather than the current income statement method, which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. This would result in the recognition of a deferred tax liability in relation to any revalued assets. Under AGAAP, the tax effects of asset revaluations were not required to be recognised.

In accordance with AASB 112, under certain circumstances a deferred tax liability will arise where an asset's carrying amount is greater than its tax base. The Group has identified situations where assets were revalued to fair value as part of a business combination and as such the carrying value of these assets differs from their tax base. The Group has not applied AASB 3 retrospectively to any business combinations that occurred prior to 1 January 2005. Therefore, the recognition of these deferred tax liabilities arising from these revalued assets has given rise to an adjustment to retained earnings.

C. Accounting for Government Assistance

The Group has applied AASB 120: *Accounting for Government Grants and Disclosure of Government Assistance*, where government assistance is provided to compensate an expenditure stream the government assistance is to be recognised in the income statement over the periods necessary to match the income with the costs being incurred.

D. Foreign Currencies

The economic entity contains one self-sustaining foreign controlled entity. The foreign entity accounts are translated to Australian dollars for inclusion in the economic entity's accounts. Any foreign currency translation differences

arising from the translation of the foreign entity accounts into Australian dollars will be recognised in an equity account called "Foreign Currency Translation Reserve".

The major impact of AIFRS requires that any residual balance upon disposal of a foreign controlled entity must be recognised in the income statement whereas previously this was adjusted against retained earnings/accumulated losses.

Under AASB 1, the Group has elected to not determine the opening cumulative exchange differences on transition to AIFRS. As a result it is deemed that the opening cumulative exchange difference is zero and as such the current balance of the Foreign Currency Translation Reserve is transferred to retained earnings.

E. Transition to AASB 139 – Financial Instruments as at 1 July 2005

The financial effect on adopting AASB 132 and AASB 139 is disclosed on the following page.

Management has applied the exemption provided in AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, which permits entities not to apply the requirements of AASB 132: *Financial Instruments: Presentation and Disclosures* and AASB 139: *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards were applied from 1 July 2005.

The economic entity enters into interest rate swap agreements that are used to convert the variable interest rate of its short-term borrowings to medium-term fixed interest rates. The previous policy of the economic entity was not to recognise interest rate swaps and net receipts and payments were offset against interest expense upon settlement of the swap contract.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

35. TRANSITION TO AIFRS (CONTINUED)

Restated Balance Sheet on adoption of AASB 132 and AASB 139 as at 1 July 2005

	CONSOLIDATED			PRIME TELEVISION LIMITED		
	AGAAP \$'000	AIFRS IMPACT \$'000	AIFRS \$'000	AGAAP \$'000	AIFRS IMPACT \$'000	AIFRS \$'000
Current assets						
Cash	10,263	-	10,263	-	-	-
Receivables	32,959	-	32,959	67	-	67
Inventories/Intangibles	8,875	-	8,875	-	-	-
Prepayments	663	-	663	-	-	-
Derivatives	-	-	-	-	-	-
Total current assets	52,760	-	52,760	67	-	67
Non-current assets						
Receivables	-	-	-	444,544	-	444,544
Available-for-sale financial investments	332	-	332	3	-	3
Other financial assets	-	-	-	118,054	-	118,054
Property, plant and equipment	65,330	-	65,330	99	-	99
Deferred income tax assets	2,911	294	3,205	81	295	376
Intangibles	183,474	-	183,474	-	-	-
Prepayments	1,858	-	1,858	1,107	-	1,107
Total non-current assets	253,905	294	254,199	563,888	295	564,183
Total assets	306,665	294	306,959	563,955	295	564,250
Current liabilities						
Payables	27,263	-	27,263	1,030	-	1,030
Interest-bearing liabilities	62	-	62	-	-	-
Current tax liabilities	4,592	-	4,592	4,612	-	4,612
Provisions	3,622	-	3,622	272	-	272
Derivatives	-	983	983	-	984	984
Total current liabilities	35,539	983	36,522	5,914	984	6,898
Non-current liabilities						
Payables	1,969	-	1,969	253,170	-	253,170
Interest-bearing liabilities	142,387	-	142,387	140,250	-	140,250
Deferred tax liabilities	9,164	-	9,164	35	-	35
Provisions	378	-	378	-	-	-
Total non-current liabilities	153,898	-	153,898	393,455	-	393,455
Total liabilities	189,437	983	190,420	399,369	984	400,353
Net assets	117,228	(689)	116,539	164,586	(689)	163,897
Equity						
Parent entity interest						
Contributed equity	184,562	-	184,562	185,462	-	185,462
Reserves	(56)	-	(56)	2	-	2
(Accumulated losses)/Retained profits	(68,178)	(689)	(68,867)	(20,878)	(689)	(21,567)
Total equity	117,228	(689)	116,539	164,586	(689)	163,897

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2006

In accordance with a resolution of the Directors of Prime Television Limited, I state that:

(1) In the opinion of the Directors:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

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

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2006.

On behalf of the Board



PJ Evans
Director

Sydney, 25 September 2006

INDEPENDENT AUDIT REPORT
FOR THE YEAR ENDED 30 JUNE 2006



Ernst & Young House Tel 61 2 6267 3888
 51 Allara Street Fax 61 2 6246 1500
 Canberra ACT 2600 DX 5608 Canberra
 Australia
 GPO Box 281
 Canberra ACT 2601

Independent Audit Report to the members of Prime Television Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Prime Television Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report 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 and the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*. The nature of an audit is influenced by factors such as the use of professional judgment, 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.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, 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 and whether the remuneration disclosures comply with Accounting Standard AASB 124: *Related Party Disclosures*.

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 the remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENT AUDIT REPORT
FOR THE YEAR ENDED 30 JUNE 2006 (CONTINUED)



Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion:

1. the financial report of Prime Television Limited is in accordance with:

(a) the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of Prime Television Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory financial reporting requirements in Australia.

2. the remuneration disclosures that are contained in the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

A stylized, handwritten signature of Ernst & Young in a cursive script.

Ernst & Young

A handwritten signature of G J Knuckey in a cursive script.

G J Knuckey

Partner

Canberra

25 September 2006

ASX ADDITIONAL INFORMATION
FOR THE YEAR ENDED 30 JUNE 2006

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.
The information is current as at 25 September 2006.

(a) Distribution of equity securities

As at 25 September 2006, total number of fully paid up shares on issue is 124,977,225.

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

ORDINARY SHARES	NUMBER OF HOLDERS
1-1,000	556
1,001-5,000	646
5,001-10,000	212
10,001-100,000	140
100,001 and over	35
	1,589
The number of shareholders holding less than a marketable parcel of shares is:	135

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares at 25 September 2006 are:

		LISTED ORDINARY SHARES	
		NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
1	Paul Ramsay Holdings Pty Limited	49,677,285	39.75
2	RBC Dexia Investor Services Australia Nominees Limited	21,171,535	16.94
3	National Nominees Limited	11,590,991	9.27
4	JP Morgan Nominees Australia Limited	11,457,824	9.17
5	Westpac Custodian Nominees Limited	4,670,648	3.74
6	Citicorp Nominees Pty Limited	3,416,875	2.73
7	AMP Life Limited	3,333,337	2.67
8	ANZ Nominees Limited	2,110,668	1.69
9	Immer (No 196) Pty Limited	1,585,285	1.27
10	George Walter Mooratoff	1,500,000	1.20
11	Sandhurst Trustees Limited	1,350,000	1.08
12	Effie Holdings Pty Limited	1,200,000	0.96
13	Queensland Investment Corporation	915,358	0.73
14	Cogent Nominees Pty Limited	806,879	0.65
15	Birketu Pty Limited	600,000	0.48
16	Victorian WorkCover Authority	472,156	0.38
17	Invia Custodian Pty Limited	381,291	0.31
18	HSBC Custody Nominees (Australia) Limited	374,248	0.30
19	Mercart Pty Limited	250,000	0.20
20	Media Investments Pty Limited	245,327	0.20
		117,109,707	93.70

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
Paul Ramsay	51,262,780	41.02
Investors Mutual	16,025,148	12.82
Paradice Cooper Investors	9,798,514	7.84
Perpetual Trustees Limited	8,692,750	6.96
Invesco Australia Limited	6,321,399	5.06

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

Company Information

Prime Television Limited

ABN 97 000 764 867

Directors

Paul J Ramsay AO (Chairman)
Michael S Siddle (Deputy Chairman)
Peter J Evans
Terry Jackman AM
Alex Hamill

Company Secretaries

Andrew Cooper CA
Susan Howie CPA

Registered Office

363 Antill Street
Watson ACT 2602
(02) 6242 3700

Share Register

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
(02) 8280 7100

Auditors

Ernst & Young
51 Allara Street
Canberra ACT 2601
(02) 6267 3888

Corporate Directory

Prime Television Limited

ABN 97 000 764 867
363 Antill Street
Watson ACT 2602

Prime Television (Northern) Pty Ltd

ABN 47 003 344 876
Suite AA, Level 4, 251 Wharf Road
Newcastle NSW 2300

Prime Television (Southern) Pty Ltd

ABN 77 003 368 938
363 Antill Street
Watson ACT 2602

Prime Television (Victoria) Pty Ltd

ABN 32 000 390 232
Sunraysia Highway
Mitchell Park
Ballarat VIC 3350

Golden West Network Pty Ltd

ABN 51 008 681 196
Roberts Crescent
Bunbury WA 6230

Seven Affiliate Sales Pty Limited

ABN 49 058 428 158
Suite 136, The Upper Deck
19-21 Jones Bay Wharf
26-32 Pirrama Road
Pyrmont NSW 2009