

08

Financial Statements

To the Minister for Communications, Information Technology and the Arts

SCOPE

The financial statements and Directors' responsibility

The financial statements comprise:

- Statement by Directors;
- Income Statement, Balance Sheet and Statement of Cash Flows;
- Statement of Changes in Equity;
- Schedules of Commitments and Contingencies; and
- Notes to and forming part of the Financial Statements

for both the Special Broadcasting Service Corporation (the Corporation) and the consolidated entity for the year ended 30 June 2006. The consolidated entity comprises both the Corporation and the entity it controlled during that year.

The members of the Board are responsible for preparing the financial statements that give a true and fair view of the financial position and performance of the Corporation and the consolidated entity, and that comply with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia. The members of the Board are also responsible 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 statements.

AUDIT APPROACH

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. 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.

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

I have performed procedures to assess whether in all material respects the financial statements present fairly, in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Corporation's and the consolidated entity's financial position, and of their financial performance and cash flows.

The audit opinion is formed 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 statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the Board.

INDEPENDENCE

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

AUDIT OPINION

In my opinion, the financial statements of the Special Broadcasting Service Corporation and the consolidated entity:

- (a) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and
- (b) give a true and fair view of the Special Broadcasting Service Corporation's and the consolidated entity's financial position as at 30 June 2006 and of their performance for the year then ended, in accordance with:
 - (i) the matters required by the Finance Minister's Orders; and
 - (ii) applicable Accounting Standards and other mandatory financial reporting requirements in Australia.

Australian National Audit Office



P Hinchey
Senior Director
Delegate of the Auditor-General

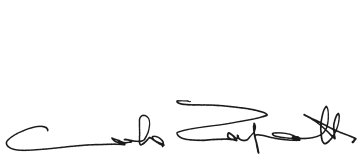
Sydney
17 August 2006

STATEMENT BY DIRECTORS

In our opinion, the attached financial statements for the year ended 30 June 2006 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister’s Orders made under the *Commonwealth Authorities and Companies Act 1997*.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

This Statement is made in accordance with a resolution of the directors.



Carla Zampatti
Chairman

17 August 2006



Shaun Brown
Managing Director

17 August 2006



Jonathan Torpy
Chief Financial Officer

17 August 2006

INCOME STATEMENT

for the year ended 30 June 2006

		Consolidated		Corporation	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
INCOME					
Revenue					
Revenues from Government	5(a)	176,472	162,394	176,472	162,394
Goods and services	5(b)	54,225	36,661	54,225	36,661
Interest	5(c)	1,932	1,498	1,927	1,491
Dividends	8(d)(xii)	-	280	-	-
Rents		852	810	852	810
Royalties		1,256	963	1,256	963
Other revenues	5(d)	7,029	6,040	7,029	6,040
Total revenue		241,766	208,646	241,761	208,359
Gains					
Reversals of previous asset write-downs	5(e)	16	-	16	-
Net foreign exchange gains (non-speculative)	1(t),15(c)	-	15	-	15
Total gains		16	15	16	15
TOTAL INCOME		241,782	208,661	241,777	208,374
EXPENSES					
Employees	6(a)	67,326	64,117	67,326	64,117
Suppliers	6(d)	162,198	132,012	162,192	132,006
Depreciation and amortisation	6(e)	10,092	10,350	10,092	10,350
Finance costs	6(f)	1,191	1,315	1,191	1,315
Write-down and impairment of assets	6(g)	142	370	142	370
Net foreign exchange losses (non-speculative)		16	-	16	-
Net losses from sale of assets	7	-	134	-	134
TOTAL EXPENSES		240,965	208,298	240,959	208,292
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method					
	8(d)(xii)	65	5	-	-
Operating result before income tax		882	368	818	82
Income tax expense	1(r),10(c)	-	-	-	-
OPERATING RESULT	4	882	368	818	82

THE ABOVE STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

BALANCE SHEET

as at 30 June 2006

		Consolidated		Corporation	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
ASSETS					
Financial assets					
Cash and cash equivalents	8(a)	3,755	4,555	3,730	4,447
Receivables	8(b)	18,529	10,843	19,728	12,043
Investments accounted for using the equity method	8(d)(xii)	3,085	3,020	-	-
Investments under s18 of the CAC Act	8(c)	64,460	66,393	64,460	66,392
Other investments	8(d)	81	-	-	-
Total financial assets		89,910	84,811	87,918	82,882
Non-financial assets					
Land and buildings	9(a),(d)	59,405	60,720	59,405	60,720
Plant and equipment	9(b),(d)	15,314	20,451	15,314	20,451
Intangibles	9(c)	2,379	2,089	2,379	2,089
Inventories	9(e)	43,216	35,219	43,216	35,219
Other non-financial assets	9(f)	16,574	13,467	16,574	13,467
Total non-financial assets		136,888	131,946	136,888	131,946
TOTAL ASSETS		226,798	216,757	224,806	214,828
LIABILITIES					
Payables					
Suppliers	10(a)	14,691	10,442	14,687	10,437
Other payables	10(b)	47,809	48,838	47,809	48,838
Total payables		62,500	59,280	62,496	59,275
Interest bearing liabilities					
Loans	11(a)	16,075	18,237	16,075	18,237
Total interest bearing liabilities		16,075	18,237	16,075	18,237
Provisions					
Employee provisions	12(a)	16,871	14,587	16,871	14,587
Other provisions	12(b)	2,062	1,949	2,062	1,949
Total provisions		18,933	16,536	18,933	16,536
TOTAL LIABILITIES		97,508	94,053	97,504	94,048
NET ASSETS		129,290	122,704	127,302	120,780
EQUITY					
Contributed equity		73,739	67,889	73,739	67,889
Reserves		27,662	27,662	27,662	27,662
Retained surpluses		27,889	27,153	25,901	25,229
TOTAL EQUITY		129,290	122,704	127,302	120,780
Current assets		102,176	79,685	102,150	79,576
Non-current assets		124,622	137,072	122,656	135,252
Current liabilities		45,355	34,441	45,351	34,436
Non-current liabilities		52,153	59,612	52,153	59,612

THE ABOVE STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

STATEMENT OF CASH FLOWS

for the year ended 30 June 2006

		Consolidated		Corporation	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
OPERATING ACTIVITIES					
Cash received					
Goods and services		51,919	41,884	51,919	41,930
Appropriations	1(g),5(a)	180,481	164,354	180,481	164,354
Interest		4,450	3,966	4,446	3,959
Dividends	8(d)(xii)	-	280	-	-
Net GST received from ATO		7,872	8,959	7,868	8,954
Income tax received from ATO		-	5	-	-
Total cash received		244,722	219,448	244,714	219,197
Cash used					
Employees		(65,042)	(66,445)	(65,042)	(66,445)
Suppliers		(178,810)	(146,368)	(178,799)	(146,362)
Finance costs		(1,078)	(1,203)	(1,078)	(1,203)
Other – return of appropriation		(1,960)	-	(1,960)	-
Total cash used		(246,890)	(214,016)	(246,879)	(214,010)
Net cash from (used by) operating activities	13	(2,168)	5,432	(2,165)	5,187
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment		8	2	8	2
Proceeds from loans		-	-	-	300
Investments under s18 CAC Act		20,456	38,679	20,456	38,679
Total cash received		20,464	38,681	20,464	38,981
Cash used					
Purchase of property, plant and equipment	9(d)	(4,064)	(3,043)	(4,064)	(3,043)
Investments under s18 CAC Act	8(c)	(18,574)	(41,359)	(18,494)	(41,359)
Total cash used		(22,638)	(44,402)	(22,558)	(44,402)
Net cash used by investing activities		(2,174)	(5,721)	(2,094)	(5,421)
FINANCING ACTIVITIES					
Cash received					
Appropriations – contributed equity		5,850	5,620	5,850	5,620
Total cash received		5,850	5,620	5,850	5,620
Cash used					
Repayments of debt	11(a)	(2,162)	(2,037)	(2,162)	(2,037)
Other – Return of Contributed Equity (Capital)		(146)	(4,210)	(146)	(4,210)
Total cash used		(2,308)	(6,247)	(2,308)	(6,247)
Net cash from (used by) financing activities		3,542	(627)	3,542	(627)
Net increase (decrease) in cash held					
Cash at the beginning of the reporting period		4,555	5,471	4,447	5,308
Cash at the end of the reporting period	8(a)	3,755	4,555	3,730	4,447

THE ABOVE STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2006

[Consolidated]	Accumulated results		Asset revaluation reserve		Contributed Equity/Capital		TOTAL EQUITY	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Opening Balance	27,153	30,995	27,662	27,662	67,889	62,269	122,704	120,926
Income and Expense								
Revaluation adjustment			-	-			-	-
Sub-total income and expenses recognised directly in equity	-	-	-	-	-	-	-	-
Net Operating Result	882	368					882	368
Total income and expenses (all attributable to the Australian Government)	882	368	-	-	-	-	882	368
Transactions with owners								
Distributions to owners:								
Returns of Capital (see note below)	(146)	(4,210)					(146)	(4,210)
Contributions by owners:								
Appropriations (equity injection)					5,850	5,620	5,850	5,620
Sub-total transactions with owners	(146)	(4,210)			5,850	5,620	5,704	1,410
Closing balance at 30 June	27,889	27,153	27,662	27,662	73,739	67,889	129,290	122,704
Less: minority interests	-	-	-	-	-	-	-	-
Closing balance attributable to the Australian Government	27,889	27,153	27,662	27,662	73,739	67,889	129,290	122,704

In 2006 an amount of \$0.146m (2005: \$4.210m) was returned to the Consolidated Revenue Fund (and charged to equity) in line with Government policy to fund only the amounts required for the conversion to digital transmission. These amounts relate to unspent appropriations received in prior financial years. An additional amount of \$4.009m (2005: \$1.960m) was provided for (as unearned appropriation revenue) for the repayment of unspent digital funds from appropriations received in the current year – see note 5(a).

SCHEDULE OF COMMITMENTS

as at 30 June 2006

		Consolidated		Corporation	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
BY TYPE					
Capital commitments					
Land and Buildings		91	28	91	28
Plant and equipment		1,014	1,252	1,014	1,252
Total capital commitments		1,105	1,280	1,105	1,280
Other commitments					
Transmission facilities	(i)	710,939	642,150	710,939	642,150
Operating leases	(ii)	18,066	15,735	18,009	15,679
Other commitments	(iii)	52,283	39,765	52,283	39,765
Total other commitments		781,288	697,650	781,231	697,594
Commitments receivable					
Transmission facilities	(i)	492,294	449,644	492,294	449,644
Operating leases		1,124	1,983	1,124	1,983
Advertising and sponsorship		7,553	7,920	7,553	7,920
Services to related corporations		50	11	50	11
Other commitments	(iii)	67,207	61,384	67,202	61,379
Total commitments receivable		568,228	520,942	568,223	520,937
Net commitments by Type		214,165	177,988	214,113	177,937
BY MATURITY					
Capital Commitments					
One year or less		1,105	1,280	1,105	1,280
From one to five years		-	-	-	-
Over five years		-	-	-	-
Total capital commitments		1,105	1,280	1,105	1,280
Operating lease commitments					
One year or less		2,288	2,440	2,250	2,401
From one to five years		11,831	6,448	11,812	6,431
Over five years		3,947	6,847	3,947	6,847
Total operating lease commitments		18,066	15,735	18,009	15,679
Other commitments					
One year or less		105,734	96,881	105,734	96,881
From one to five years		344,789	262,415	344,789	262,415
Over five years		312,699	322,619	312,699	322,619
Total other commitments		763,222	681,915	763,222	681,915
Total commitments receivable		568,228	520,942	568,223	520,937
Net commitments by Maturity		214,165	177,988	214,113	177,937

NB: Commitments are GST inclusive where relevant.

(i) Transmission facilities commitments include future expenditure and amounts receivable for digital transmission services.

(ii) **Nature of lease**

- Leases for office accommodation:
- Leases of computer equipment:

- Leases of motor vehicles:

General description of leasing arrangement:

Lease payments are subject to annual increases in line with the Consumer Price Index or Market Value. The leases are renewable. The leases for computer equipment are for a period of three or four years. Options to extend leased terms are available at discounted prices.

No contingent rentals exist, and no renewal or purchase options are available.

(iii) As at 30 June 2006, "other commitments" comprises amounts in respect of program, production, operational costs, and net GST recoverable from the taxation authority, which relate to these commitments.

THE ABOVE SCHEDULE SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

SCHEDULE OF CONTINGENCIES

as at 30 June 2006

[Corporation and Consolidated entity]	Notes	Guarantees		Claims for damages / costs		Indemnities		TOTAL	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
CONTINGENT LIABILITIES									
Balance from previous period		-	-	423	27	-	-	423	27
New		-	-	95	423	-	-	95	423
Re-measurement		-	-	-	-	-	-	-	-
Liabilities crystallised		-	-	-	-	-	-	-	-
Obligations expired		-	-	(423)	(27)	-	-	(423)	(27)
Total Contingent Liabilities	(iv)	-	-	95	423	-	-	95	423
CONTINGENT ASSETS									
Balance from previous period		-	-	-	-	-	-	-	-
New		-	-	-	-	-	-	-	-
Re-measurement		-	-	-	-	-	-	-	-
Assets crystallised		-	-	-	-	-	-	-	-
Expired		-	-	-	-	-	-	-	-
Total Contingent Assets	(iv)	-	-	-	-	-	-	-	-
Net Contingent Liabilities		-	-	95	423	-	-	95	423

- (iv) Details of contingent liabilities and assets, including those not disclosed above because they cannot be quantified or are considered remote, are shown in Note 16: Contingent liabilities and assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

NOTE DESCRIPTION

1. *Summary of significant accounting policies*
2. *The impact of the transition to AEIFRS from previous AGAAP*
3. *Economic dependency*
4. *Operating result*
5. *Income*
 - 5(a) Revenues from Government
 - 5(b) Goods and services
 - 5(c) Interest
 - 5(d) Other revenues
 - 5(e) Reversals of previous asset write-downs
6. *Operating expenses*
 - 6(a) Employee expenses and average staffing level
 - 6(b) Executive remuneration
 - 6(c) Remuneration of directors and related party disclosures
 - 6(d) Suppliers
 - 6(e) Depreciation and amortisation
 - 6(f) Finance costs
 - 6(g) Write-down and impairment of assets
7. *Net losses from sale of assets*
8. *Financial assets*
 - 8(a) Cash and cash equivalents
 - 8(b) Receivables
 - 8(c) Investments under s18 of the CAC Act
 - 8(d) Other investments
9. *Non-financial assets*
 - 9(a) Land and buildings
 - 9(b) Plant and equipment
 - 9(c) Intangible assets
 - 9(d) Analysis of property, plant and equipment
 - 9(e) Inventories
 - 9(f) Other non-financial assets
10. *Payables*
 - 10(a) Suppliers
 - 10(b) Other payables
 - 10(c) Current tax payable
11. *Interest bearing liabilities*
 - 11(a) Loans
12. *Provisions*
 - 12(a) Employee provisions
 - 12(b) Other provisions
13. *Cash flow reconciliation*
14. *Reporting of outcomes*
15. *Financial instruments*
 - 15(a) Terms, conditions and accounting policies
 - 15(b) Interest rate risk
 - 15(c) Foreign currency risk
 - 15(d) Credit risk
 - 15(e) Fair values of financial assets and liabilities
16. *Contingent liabilities and assets*
17. *Appropriations*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Preparation of the Financial Statements*

The financial statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with the Finance Minister's Orders (being the *Commonwealth Authorities and Companies Orders (Financial Statements for reporting periods ending on or after 1 July 2005)*). The financial statements have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB), and interpretations issued by AASB and UIG that apply for the reporting period.

This is the first financial report to be prepared under Australian Equivalents to International Financial Reporting Standards (AEIFRS). The impacts of adopting AEIFRS are disclosed in Note 2.

The Income Statement, Balance Sheet and Statement of Changes in Equity have been prepared on an accrual basis, and are in accordance with historical cost convention, except for certain assets which, as noted, are at valuation (see note 9).

(b) *Significant Accounting Judgements and Estimates*

An amount of \$4.009m was estimated as the amount to be returned to the Consolidated Revenue Fund in line with Government policy to fund only the amounts required for the conversion to digital transmission – see note 10(b)(xiv).

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next period.

(c) *Statement of Compliance*

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AEIFRS).

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Significant accounting policies adopted in the preparation and presentation of the financial report are identified in this note.

The accounting policies used in the preparation of these financial statements are consistent with those used in 2004-05, except where changes in accounting policy are identified in this note under their appropriate headings.

The AASB has issued amendments to existing standards, which are not effective at reporting date. The Corporation intends to adopt all standards upon their application dates. As at reporting date, there is no expected impact on application of these amendments.

(d) *Principles of consolidation*

The consolidated financial statements are those of the economic entity comprising the Special Broadcasting Service Corporation (the parent entity) and Multilingual Subscriber Television Ltd (MST Ltd). The effect of all transactions between the entities in the economic entity and inter-entity balances are eliminated in full.

(e) *Equity accounting of associated companies*

The principles of equity accounting have been applied in respect of associated companies. Associated companies are those companies over which the economic entity exercises significant influence but not control.

Using the equity method, the Corporation has recognised through its controlled entity, MST Ltd, the share of profit/(loss) of its associate, PAN TV Ltd, as revenue/(expense) in its Income Statement, and its share of movement in reserves in consolidated reserves. Equity information is disclosed in note 8(d). MST Ltd's investment in the associated entity, Pan TV Ltd is accounted for in accordance with AASB 128 "Investments in Associates".

(f) *Reporting by outcomes*

The results by outcome specified in the Appropriation Acts relevant to the Corporation are presented in note 14.

(g) Appropriations

Under the accruals framework, Parliament appropriates moneys to the Corporation as revenue appropriations, as loan appropriations and as equity injections.

Revenue appropriations – Output Appropriations

Revenues from Government are revenues of the core operating activities of the Corporation. The full amount of the appropriation for departmental outputs for the year is recognised as revenue, except for amounts returned or payable to the Consolidated Revenue Fund in accordance with Finance Minister's Orders. In 2006, in line with Government policy to fund only amounts required for the conversion to digital transmission, an amount of \$4.009m (2005:\$1.960m) was recognised as unearned appropriation – see note 10(b)(xiv).

Non-revenue appropriations – Equity Injections and Loans

Amounts appropriated as equity injections are recognised as increases in "Contributed Equity". All equity appropriations have been fully drawn down. Loan appropriations are recognised as increases in borrowings, when the appropriation is drawn down. In 2003, the Corporation was appropriated \$24m of loan funding to refinance the balance of an existing loan – see note 11(a).

(h) Resources received free of charge

Services received free of charge are recognised as revenues where their fair value can be reliably measured. Use of the resources is recognised as an expense. In 2006 no resources were provided free of charge.

(i) Other revenue

All revenues from the sales of goods and services relate to the core operating activities of the Corporation and the economic entity.

All other operating revenues arise from non-core operating activities, except funds received for analogue extensions which are also included in other operating revenue – see note 1(j).

Revenue from the sale of goods and services is recognised when the economic entity has passed control of the goods to the buyer.

Revenue from the rendering of a service is recognised by reference to the stage of completion of the contract or other agreement.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

(j) Other payables

Prepayments received, which affect more than one financial period are matched with the related costs and recognised in the period to which they relate.

In 2000, the Corporation received \$70 million from the TV Fund and \$3.4 million (from government appropriation) to provide analogue extensions to regional Australia over the next twelve years. In 2005, the Corporation received a further \$4.606 million to extend analogue services to regions with a population of 3,000 to 5,000, and also received \$0.125 million under the Commonwealth's Television Black Spots – Alternative Technical Solutions Program. The amounts received, including interest accrued on these amounts, are recognised as revenue when related expenditure is incurred. Refer to notes 5(d), 6(d) and 8(c)(x).

(k) Employee benefits

(i) Provision for long service leave

The provision for long service leave is measured at the present value of estimated future cash flows to be made in respect of all employees at 30 June 2006. In determining the present value of the liability, attrition rates and pay increases have been taken into account. The amount expected to be payable within twelve months is shown as a current liability, and the balance as a non-current liability.

(ii) Provision for annual leave

Provision is made for the value of benefits accrued as at reporting date and includes the annual leave bonus component payable in accordance with the SBS Award. The amounts expected to be payable within twelve months is shown as a current liability, and measured at their nominal amounts. The nominal amount is

calculated having regards to the rates expected to be paid on settlement of the liability. No annual leave benefit has been assessed as payable after twelve months.

(iii) ***Provision for separation and redundancy***

Provision is made for separation and redundancy payments to employees identified at the reporting date, which can be reliably measured. The Corporation has formally identified the terminations and informed those employees affected that it will carry out the terminations. The provision does not include long service leave or annual leave paid on termination. These are included in the respective provisions.

(iv) ***Sick leave***

No provision is made for sick leave in the financial statements as sick leave taken by employees is expected to be less than future benefits. This assessment is made for all employees on a group basis.

(v) ***Provision for superannuation on accrued annual and long service leave***

Provision is made for recognition of employer (including CSS, PSS and PSSap) superannuation contributions payable in respect of accrued leave liabilities. The provision is calculated using a percentage of employer superannuation contributions on accrued leave estimated to be taken during the employees' period of service, and is applied to accrued leave liabilities – refer to note 1(l) below.

(l) Superannuation

(i) Employees of the Corporation contribute directly to either (a) the Commonwealth Superannuation Scheme (CSS), (b) the Public Sector Superannuation Scheme (PSS), or (c) from 1 July 2005 new employees may elect to contribute to the Public Sector Superannuation Accumulation Plan (PSSap), by way of fortnightly salary deductions.

(ii) Employees of the Corporation are employed under Section 54 of the *Special Broadcasting Service Act 1991*. In 2006 the Corporation was required to contribute the employer component of the Superannuation Schemes. Employer contribution rates were 22.8% of salary (CSS), 10.1% of salary (PSS), and 15.4% for the Public Sector Superannuation Accumulation Plan (PSSap). These will change to 21.2 % (CSS) and 10.3 % (PSS) from 1 July 2006. The contribution rate will remain at 15.4% for the PSSap.

(iii) The Corporation also contributes superannuation in respect of contract staff engaged under Section 44 of the *Special Broadcasting Service Act 1991*, in accordance with the superannuation guarantee legislation. The contributions are included in the cost of contract – see note 6(d).

(m) Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution, and excludes amounts invested on term deposits not immediately required for operational expenditure – see note 1(n).

(n) Financial instruments

The economic entity has a series of investments with banks and other financial institutions for funds not immediately required for operational expenditure (for example, analogue extension moneys received from the TV fund to meet expenditure in the next twelve years). They are held-to-maturity investments (term deposits) which are measured at amortised cost using the effective interest method – see note 15.

(o) Acquisition of assets

Assets acquired are recorded at the cost on acquisition, being the purchase consideration determined as at the date of acquisition.

(p) Property, plant and equipment

Asset recognition threshold

Items are classified as non-current assets when:

- (i) the cost of acquisition is in excess of \$2,000;
- (ii) they are non-consumable in nature; and
- (iii) the estimated useful life is in excess of 12 months.

Revaluations

The Corporation implements revaluations of all property, plant and equipment (except for computer software – see note 9(c)(xiii)), over successive five year periods, at fair value, or over a reduced period to ensure that the carrying amounts of assets do not materially differ from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets. Revaluation adjustments are made on a class basis.

All non-current assets were revalued at 30 June 2004 except for computer software and leasehold improvements at Federation Square, Melbourne (leased from November 2002).

The revaluations to 30 June 2004 have been implemented as follows:

- Freehold land was revalued as at 30 June 2004;
- Buildings on freehold land were revalued as at 30 June 2004;
- Plant and equipment, whether at cost or under finance lease, were revalued at 30 June 2004.

Depreciation

Property, plant and equipment, other than freehold land, is depreciated over their estimated useful lives to the Corporation using the straight line method of depreciation.

Depreciation/amortisation rates (useful lives) and methods were reviewed during the 2005-06 financial year. Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

<i>Class of non financial asset</i>	2005-2006	Average	2004-2005	Average
Buildings	40 years	40	40 years	40
Leasehold improvements	Lease term	15	Lease term	15
Plant and equipment	3 to 20 years	7	3 to 20 years	7
Intangibles	5 to 7 years	6	5 to 7 years	6

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in note 6(e).

Impairment of non-current assets

All assets were assessed for impairment as at 30 June 2006. Where indications of impairment exist, the asset's recoverable amount is estimated, and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. The recoverable amount is the higher of its *fair value less costs to sell* and its *"value in use"* (or *"depreciated replacement cost"* if the future economic benefit of the asset is not primarily dependent on the asset's ability to generate cash flows, and the asset would be replaced by the Corporation if deprived of the asset).

In 2006, after writing off a number of assets identified as obsolete and/or disposed, no indicators of impairment were found for the Corporation's assets (at fair value or at cost) – see note 6(g).

(q) Amortisation

(i) Current assets

Overseas program purchases are amortised on a straight line basis over the shorter of three years or licence period (for movies), or over the shorter period of two years or licence period (for documentaries and other overseas purchased programs).

Locally commissioned programs are valued at cost, and amortised on a straight line basis over the shorter of four years or licence period. Some programs are fully expensed in the current period.

In 2006, a change in accounting methodology was implemented for the calculation of amortisation of programs. In 2005, all programs were fully amortised upon final screening. In 2006, it was assessed that amortising programs over its availability for screening (based solely on licence period) reflected more accurately the consumption of the program rights during the period. The impact of this change is a reduction in amortisation of \$0.676m in 2006 – see note 6(d).

(ii) **Non-current assets**

Leasehold improvements are amortised on a straight line basis over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The Corporation, under its lease agreement at Federation Square, has an obligation to restore ("makegood") leasehold improvements at the end of the lease term. This obligation is recognised as part of the capitalised cost of the leasehold improvements to be amortised.

Intangible assets (computer software) are amortised on a straight line basis over their estimated useful lives.

(r) **Taxation**

The Corporation is not subject to income tax. Its controlled entity, MST Ltd, is subject to income tax. No income tax was payable in 2006 (2005: nil) – see note 10(c). The Corporation and its controlled entity, MST Ltd, are subject to fringe benefits tax (FBT) and goods and services tax (GST) – see note 1(s) below.

(s) **Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

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

(t) **Foreign currency**

Transactions denominated in a foreign currency are converted at the effective exchange rate on the date of the transaction. Exchange gains and losses are reported in the Income Statement.

(u) **Receivables**

Credit terms for receivables for goods and services are net 45 days for advertising debtors and 30 days for other debtors.

An allowance for doubtful debts, based on a review of all outstanding amounts, is raised at year end. Bad debts are written off during the period in which they are identified.

(v) **Loans**

Bank loans and loans from the Government are recognised at their principal amounts. Interest is expensed as it accrues.

(w) **Finance costs**

All finance costs are expensed as incurred. The Corporation, under its lease agreement at Federation Square, has an obligation to restore ("makegood") leasehold improvements at the end of the lease term. This obligation is recognised as a liability for the cost of restoration at the end of the term, and is discounted to its net present value. The increase in the net present value through the passage of time, or "unwinding" of the discounted value", is recognised as a finance cost – see note 6(f)(viii).

(x) **Trade creditors**

Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received, irrespective of having been invoiced. Settlement is usually made net 30 days.

(y) **Comparative figures**

Comparative figures are, where applicable, restated to reflect the current year presentation of the financial statements.

(z) **Rounding**

Amounts are rounded to the nearest \$1,000 except in relation to the remuneration of directors, officers and auditors.

2. THE IMPACT OF THE TRANSITION TO AEIFRS FROM PREVIOUS AGAAP

Reconciliation of total equity as presented under previous AGAAP to that under AEIFRS

(Consolidated)	2005 \$'000	2004 \$'000
Total equity under previous AGAAP	123,230	121,233
Adjustments to accumulated surpluses:		
Derecognition of revaluation of intangible assets to 30 June	309	309
Additional amortisation of leasehold improvements to 30 June	(262)	(155)
Additional borrowing (finance) costs to 30 June	(264)	(152)
Adjustments to asset revaluation reserve:		
Derecognition of revaluation of intangible assets to 30 June	(309)	(309)
Total equity translated to AEIFRS	122,704	120,926

Changes in accounting policy

(a) Intangible assets

The economic entity, under AEIFRS, is required to derecognise any carrying amount of intangible assets (computer software) previously valued outside an active market. AEIFRS does not permit intangible assets to be measured at valuation unless there is an active market for the intangible asset. This amount has been calculated as \$0.309m.

(b) Restoration costs of leasehold improvements (makegood)

The Corporation, under its lease agreement at Federation Square, has an obligation to restore ("makegood") leasehold improvements at the end of the lease term. This obligation, however remote, must be recognised under AEIFRS as a liability for the cost of restoration at the end of the term (discounted to its net present value). This is also initially recognised as part of the capitalised cost of the leasehold improvements, and amortised over the lease term.

The impact of (i) the increase in amortisation expense (on the additional capitalised leasehold improvements); and (ii) the increase as the net present value of the provision increases, recognised as a borrowing (finance) cost under AEIFRS, is \$0.219m in 2004-05.

(c) Disclosure of deferred tax asset (Investment in Associate)

Under AEIFRS, the Corporation's subsidiary (MST Ltd) is required to use a Balance Sheet liability method, which focuses on the tax effects of transactions in the Balance Sheet, to recognise income tax expense. The impact on the financial results has been assessed as nil. However, the economic entity is required to disclose the "deferred tax asset" which has not been recognised – for unrecognised future tax benefits on unrealised capital losses. This relates to the writing down of MST Ltd's investment in PAN TV. The "deferred tax asset" (2006: \$0.174m; 2005: \$0.194m) is not recognised as it will not be realised in the foreseeable future. MST Ltd's shares (investment) in PAN TV are not intended to be sold.

Reconciliation of profit as presented under previous AGAAP to AEIFRS

The impact of the AEIFRS on the 2004-05 operating result is an increase in operating expenses of \$0.219m (\$0.107m in additional amortisation expense for leasehold improvements, plus \$0.112m in additional borrowing (finance) costs).

	2005 \$'000
Prior year operating result as previously reported	587
Adjustments:	
Additional amortisation of leasehold improvements	(107)
Additional borrowing (finance) costs	(112)
Prior year operating result translated to AEIFRS	368

3. ECONOMIC DEPENDENCY

The economic entity is dependent on Parliamentary appropriations to be viable as a going concern.

4. OPERATING RESULT

The economic entity's operating result in 2006 is \$0.882 million (2005: \$0.368 million).

5.	INCOME	Notes	Consolidated		Corporation	
			2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
5(a)	Revenues from Government					
	Appropriations for outputs	17	176,472	162,394	176,472	162,394
	Total revenues from Government		176,472	162,394	176,472	162,394
	Reconciliation of appropriation reported in the Income Statement to cash payments made from Consolidated Revenue Fund (CRF)					
	Appropriation Acts 1 and 3		180,481	164,354	180,481	164,354
	Less: Unearned appropriation revenue	10(b)(xiv)	(4,009)	(1,960)	(4,009)	(1,960)
	(Provision for return of appropriation to CRF)					
	Total revenues from Government		176,472	162,394	176,472	162,394
5(b)	Goods and services					
	Goods – sale of programs and merchandise		2,458	2,339	2,458	2,339
	Services		51,767	34,322	51,767	34,322
	Total sales of goods and services		54,225	36,661	54,225	36,661
	Rendering of services:					
	Advertising and sponsorship		46,523	29,217	46,523	29,217
	Production services		4,557	4,690	4,557	4,690
	Controlled company	(v)	-	-	480	200
	Associated company		687	415	207	215
	Total rendering of services		51,767	34,322	51,767	34,322
	Provision of goods to:					
	Related entities		747	623	747	623
	External entities		1,711	1,716	1,711	1,716
	Total sales of goods		2,458	2,339	2,458	2,339
	Rendering of services to:					
	Related entities		1,972	1,565	1,972	1,565
	External entities		49,795	32,757	49,795	32,757
	Total rendering of services		51,767	34,322	51,767	34,322
	Total sales of goods and services		54,225	36,661	54,225	36,661

(v) In 2006 \$0.480m (2005: \$0.200m) was paid to the Corporation by its controlled entity MST Ltd for management fees relating to PAN TV Ltd – see note 8(d)(xii).

		Consolidated		Corporation	
	Note	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
5(c)	Interest				
	Interest on deposits	1,932	1,498	1,927	1,491
	Total interest	1,932	1,498	1,927	1,491
5(d)	Other revenues				
	Revenue from TV Fund (analogue extensions) and Television Black Spots – Alternative Technical Solutions Program	1(j) 6,475	5,591	6,475	5,591
	Miscellaneous revenue	554	449	554	449
	Total other revenues	7,029	6,040	7,029	6,040
5(e)	Reversals of previous asset write-downs				
	Financial assets				
	Receivables				
	Goods and services				
	– adjustment to allowance for doubtful debts	16	-	16	-
	Total reversals of previous asset write-downs	16	-	16	-

			Consolidated		Corporation	
6.	OPERATING EXPENSES	Notes	2006	2005	2006	2005
6(a)	Employee expenses and average staffing level Average staffing level The average staffing levels for the consolidated entity and the Corporation during the year were					
			795	792	795	792

		Consolidated		Corporation	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Employee expenses					
Wages and salaries		50,210	48,148	50,210	48,148
Superannuation	1(l)	7,322	7,391	7,322	7,391
Leave and other entitlements	1(k)	7,404	7,568	7,404	7,568
Separations and redundancies		2,390	1,010	2,390	1,010
Total employee expenses		67,326	64,117	67,326	64,117

6(b) Executive remuneration

“Senior executives” are persons engaged by the economic entity who are concerned in, or take part in, the management of the Corporation or economic entity, other than as a director.

Remuneration of senior executives (detailed below) relates to members of the Executive, whose remuneration for the financial year is \$130,000 or more. The remuneration of those senior executives who have occupied the position of Managing Director or a director of the economic entity during 2005-06 are not included to the extent that they were remunerated as directors of the Corporation or economic entity. Details in relation to those directors are included in note 6(c).

	Consolidated		Corporation	
<i>Senior Executives</i>	2006	2005	2006	2005
Total remuneration in respect of senior executives:	\$367,345	\$989,596	\$367,345	\$989,596

The above amounts include \$57,241 in 2005-06 (nil in 2004-05) for separation and redundancy expenses. They also include a component for leave accrued.

	Economic Entity		Corporation	
	2006 Number	2005 Number	2006 Number	2005 Number
<i>Senior Executives</i>				
The number of senior executives whose total remuneration was between:				
\$150,000 – \$164,999	1	-	1	-
\$180,000 – \$194,999	-	1	-	1
\$195,000 – \$209,999	-	1	-	1
\$210,000 – \$224,999	1	-	1	-
\$285,000 – \$299,999	-	1	-	1
\$300,000 – \$314,999	-	1	-	1

6(c) Remuneration of directors and related party disclosures

Remuneration of directors includes the remuneration of senior executives who are also directors of the Corporation or the economic entity. Their remuneration as directors of the Corporation is included below.

Directors	Consolidated		Corporation	
	2006	2005	2006	2005
Total remuneration in respect of directors:	\$1,477,025	\$1,212,282	\$861,637	\$647,537
Superannuation included in the above remuneration:	\$182,090	\$157,003	\$78,030	\$55,315

The directors of the Corporation's controlled entity MST Ltd (see note 8(d)) are appointed from directors and officers of the Corporation. The remuneration paid by the Corporation to those directors in 2005-06 is **\$983,527** (\$1,039,148 in 2004-05), including a component for leave accrued. They received no additional remuneration for their duties in relation to the controlled entity.

Directors	Economic Entity		Corporation	
	2006 Number	2005 Number	2006 Number	2005 Number
The number of directors whose total remuneration was between:				
Nil – \$14,999	2	1	2	1
\$15,000 – \$29,999	5	5	5	5
\$30,000 – \$44,999	1	2	1	2
\$45,000 – \$59,999	1	1	1	1
\$270,000 – \$284,999	-	1	-	-
\$285,000 – \$299,999	-	1	-	-
\$300,000 – \$314,999	2	-	-	-
\$315,000 – \$329,999	1	-	1	-
\$345,000 – \$359,999	1	-	1	-
\$420,000 – \$434,999	-	1	-	1

The following persons held positions as directors of the Corporation during 2005-06:

Carla Zampatti (Chairman)	Jillian Broadbent
Gerald Stone (Deputy Chairman)	Peter Carroll
Nigel Milan (Managing Director) – <i>ceased 13 February '06</i>	Robert Cronin
Shaun Brown (A/g Managing Director) – <i>from 20 August '05 to 13 February '06</i>	Joseph Elu – <i>ceased 29 May '06</i>
Shaun Brown (Managing Director) – <i>began 14 February '06</i>	Edward Gregory
Patricia Azarias – <i>began 14 June '06</i>	Christopher Pearson

The following persons held positions as directors of the Corporation's controlled entity, MST Ltd, during 2005-06:

Carla Zampatti (Chairman)	Tuong Quang Luu
Nigel Milan – <i>ceased 13 February '06</i>	Jonathan Torpy

Transactions with other related parties

Transactions with other related parties are disclosed in the relevant notes. Unless otherwise stated, transactions between related parties are on normal commercial terms and conditions, which are no more favorable than those available to other parties.

6(d)	Suppliers	Notes	Consolidated		Corporation	
			2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
	Goods					
	Amortisation of program stocks	1(q)	8,119	7,769	8,119	7,769
	Amortisation of commissioned programs	1(q)	11,904	6,487	11,904	6,487
	Other program purchases		17,648	10,257	17,648	10,257
	Materials and minor items		3,246	3,026	3,246	3,026
	Office Supplies		1,355	1,546	1,355	1,546
	Sub-total goods		42,272	29,085	42,272	29,085
	Services					
	Broadcasting facilities		65,502	59,892	65,502	59,892
	Administrative expenses		30,343	23,136	30,341	23,134
	Operating lease rentals	(vii)	2,228	2,230	2,228	2,230
	Workers' compensation premiums		691	235	691	235
	Analogue extensions	1(j)	6,474	5,591	6,474	5,591
	Contract staff	1(l)	11,223	9,296	11,223	9,296
	Production services		3,381	2,468	3,381	2,468
	Audit fees	(vi)	84	79	80	75
	Sub-total services		119,926	102,927	119,920	102,921
	Total supplier expenses		162,198	132,012	162,192	132,006
	Provision of goods – related entities		-	-	-	-
	Provision of goods – external entities		42,272	29,085	42,272	29,085
	Rendering of services – related entities		4,074	5,810	4,070	5,806
	Rendering of services – external entities		112,933	94,652	112,931	94,650
	Sub-total supplier expenses		159,279	129,547	159,273	129,541
	Operating lease rentals	(vii)	2,228	2,230	2,228	2,230
	Workers' compensation premiums		691	235	691	235
	Total supplier expenses		162,198	132,012	162,192	132,006

(vi) **Audit fees**
Fees for services paid or payable to the Auditor-General for auditing the economic entity's financial statements for the reporting period were **\$83,700** (2005: \$79,000). No other services were provided during the reporting period.

(vii) Operating lease rentals comprise minimum lease payments only.

		Consolidated		Corporation	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
6(e)	Depreciation and amortisation				
	Depreciation				
	Plant and equipment	7,784	8,136	7,784	8,136
	Buildings	1,787	1,732	1,787	1,732
	Total depreciation	9,571	9,868	9,571	9,868
	Amortisation				
	Intangibles – computer software	521	482	521	482
	Total depreciation and amortisation	10,092	10,350	10,092	10,350
	The aggregate amounts of depreciation and amortisation expensed for each class of depreciable asset are as follows:				
	Buildings on Freehold Land	1,252	1,242	1,252	1,242
	Leasehold Improvements	535	490	535	490
	Plant and Equipment	7,784	8,136	7,784	8,136
	Intangibles – computer software	521	482	521	482
	Total depreciation and amortisation	10,092	10,350	10,092	10,350
6(f)	Finance costs				
	Commonwealth loan	1,078	1,203	1,078	1,203
	Unwinding of discount (viii)	113	112	113	112
	Total finance costs expense	1,191	1,315	1,191	1,315
(viii)	The “unwinding of discount” relates to the increase in provision for restoration costs (“makegood” leasehold improvements at Federation Square, at the end of the lease term), as the discounted net present value increases, through the passage of time.				
6(g)	Write-down and impairment of assets				
	Financial assets				
	Receivables				
	Goods and services – adjustment to allowance for doubtful debts	-	5	-	5
	Goods and services – bad debts written off	16	4	16	4
	Sub-total write-down of financial assets	16	9	16	9
	Non-financial assets				
	Plant and equipment – write-offs 1(p)	126	361	126	361
	Sub-total write-down of non-financial assets	126	361	126	361
	Total write-down of assets	142	370	142	370

		Consolidated		Corporation	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
7.	NET LOSSES FROM SALE OF ASSETS				
	Plant and equipment				
	Proceeds from disposal	(8)	(2)	(8)	(2)
	Net book value of assets disposed	8	136	8	136
	Net loss from disposal of plant and equipment	-	134	-	134
	Total proceeds from disposal	(8)	(2)	(8)	(2)
	Total value of assets disposed and selling expenses	8	136	8	136
	Total net loss from sale of assets	-	134	-	134
8.	FINANCIAL ASSETS				
8(a)	Cash and cash equivalents				
	Cash and cash equivalents	3,755	4,555	3,730	4,447
	Total cash and cash equivalents	3,755	4,555	3,730	4,447
8(b)	Receivables				
	Goods and services – controlled entity 8(d)(xii)	-	-	1,728	1,200
	Goods and services – associated company	673	144	145	144
	Other goods and services (ix)	15,793	10,407	15,793	10,407
	Less allowance for doubtful debts	(21)	(37)	(21)	(37)
	Total goods and services receivables	16,445	10,514	17,645	11,714
	Interest receivable	92	93	92	93
	GST receivable from the Australian Taxation Office	1,992	236	1,991	236
	Total receivables (net)	18,529	10,843	19,728	12,043
(ix)	The majority of goods and services receivables relate to advertising agencies.				
	Receivables (gross) are aged as follows:				
	Current (not overdue)	16,517	10,407	17,716	11,607
	Overdue by:				
	– less than 30 days	1,148	326	1,148	326
	– 30 to 60 days	609	19	609	19
	– 61 to 90 days	186	65	186	65
	– more than 90 days	90	63	90	63
		2,033	473	2,033	473
	Total receivables (gross)	18,550	10,880	19,749	12,080
	The allowance for doubtful debts is aged as follows:				
	Overdue by:				
	– more than 90 days	21	37	21	37
	Total allowance for doubtful debts	21	37	21	37

		Consolidated		Corporation	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
8(c)	<i>Investments under s18 of the CAC Act</i>				
	Term deposits – by Corporation	(x) 64,460	66,393	64,460	66,392
	<i>Total investments under s18 of the CAC Act</i>	64,460	66,393	64,460	66,392

- (x) The economic entity has a series of investments with banks and other financial institutions. The Corporation's investments are made under s18 of the CAC Act. Its controlled entity, MST Ltd, is incorporated under the Corporations Law and not subject to s18 of the CAC Act.

In 1999-2000, the Corporation received revenue from the TV Fund to provide analogue extensions to regional Australia over the next 12 years. In 2005 the Corporation received \$4.606m to extend analogue services to regions with a population of 3,000 to 5,000, and \$0.125 million under the Commonwealth's Television Black Spots – Alternative Technical Solutions Program. The amounts received, including interests accrued on these amounts, have been invested in non-government securities. Refer also to note 1(j).

8(d)	Other investments					
	Term deposits – by controlled entity	8(c)(x)	81	-	-	-
	Shares in controlled entity – at cost	(xi)	-	-	-	-
	Total other investments		81	-	-	-

- (xi) **Investment in controlled entity**
The Corporation subscribed for 5 shares (\$1 each) in MST Ltd in 1994-95. MST Ltd is a wholly owned subsidiary of SBS Corporation. It was incorporated for the purpose of the Corporation's involvement in Pay TV. No dividend was distributed in 2006 (2005: nil).

Name of entity	Country of incorporation	Interest of Corporation		Contributions to consolidated surplus	
		2006	2005	2006 \$'000	2005 \$'000
Parent Entity					
SBS Corporation	Australia			818	82
Directly controlled by SBS Corporation					
MST Ltd	Australia	100%	100%	64	286
				882	368

(xii) *Investment in associated company and equity information*

Name of Entity	Principal Activity	Ownership Interest		Balance Date	
		2006	2005		
PAN TV Ltd	Production and delivery of media services	40%	40%	30 June '06	30 June '05

The Corporation's controlled entity (MST Ltd) subscribed for 220,000 shares in PAN TV Ltd in 1994-95, the subscription price deemed to be paid in consideration for a range of services provided by the economic entity to PAN TV Ltd. The purchase consideration for the shares acquired was valued at \$3,667,333, having regard to the price paid by the other investing partners in PAN TV Ltd in acquiring their shares.

The range of services valued at \$3,667,333, have been fully provided by the Corporation to PAN TV Ltd on behalf of MST Ltd. This amount was initially shown as a receivable by the Corporation from its controlled entity, MST Ltd, and has been reduced to \$1.2m as at 30 June 2006. The amount receivable is eliminated on consolidation.

PAN TV Ltd currently provides a "World Movies" Channel to Foxtel, Optus Vision, and Austar under distribution agreements.

The equity accounted value of this investment as at 30 June 2006 was \$3.132m (2005: \$3.020m) having regard to the performance of PAN TV Ltd in 2006. A revaluation of this investment was undertaken in 2003 by Deloitte Touche Tohmatsu which was more than its current carrying value of \$3.085m. As there are no indications of impairment to this investment, the carrying value has been maintained at \$3.085m.

	2006 \$'000	2005 \$'000
Cost		
Carrying amount of investment in associated company (at cost)	3,667	3,667
	3,667	3,667
Equity		
Carrying amount of investment in associated company (at cost)	3,667	3,667
Less share of retained losses	(582)	(647)
Equity-accounted amount of investment	3,085	3,020
Share of associate's operating profit/(loss) before income tax	136	390
Share of income tax credit/(expense) attributable to operating profit/(loss)	(71)	(105)
Share of operating profit/(loss) after income tax	65	285
Accumulated results attributable to associate		
1 July	(647)	(652)
30 June	(582)	(647)
Movement in the equity accounted investment in associated company		
Investment in associated company 1 July	3,020	3,015
Share of operating profit/(loss) after income tax	65	285
Dividend revenue from associated company	-	(280)
Investment in associated company 30 June	3,085	3,020
Share of commitments		
Share of operating lease commitments	52	51

9.	Notes	Consolidated		Corporation	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
9. NON-FINANCIAL ASSETS					
9(a) Land and buildings					
<i>Freehold land – at fair value</i>	1(p)				
Freehold land – at 2004 independent valuation	(xiii)	19,250	19,250	19,250	19,250
Total freehold land		19,250	19,250	19,250	19,250
<i>Buildings on freehold land – at fair value</i>					
Buildings – at 2004 independent valuation	(xiii)	49,655	49,655	49,655	49,655
Buildings – at fair value		510	38	510	38
Less accumulated depreciation		(16,148)	(14,896)	(16,148)	(14,896)
Total buildings on freehold land		34,017	34,797	34,017	34,797
<i>Leasehold improvements – at fair value</i>	(xiii)				
Leasehold improvements – at fair value		7,856	7,856	7,856	7,856
Less accumulated amortisation		(1,718)	(1,183)	(1,718)	(1,183)
Total leasehold improvements		6,138	6,673	6,138	6,673
Total land and buildings (non-current)		59,405	60,720	59,405	60,720
9(b) Plant and equipment					
Plant and equipment – at 2004 independent valuation		69,697	68,701	69,697	68,701
Plant and equipment – at fair value		2,171	2,171	2,171	2,171
Less accumulated depreciation		(56,554)	(50,421)	(56,554)	(50,421)
		15,314	20,451	15,314	20,451
Total plant and equipment (non-current)		15,314	20,451	15,314	20,451
9(c) Intangible assets					
Computer software – at cost	(xiii)	4,782	4,192	4,782	4,192
Less accumulated amortisation		(2,403)	(2,103)	(2,403)	(2,103)
		2,379	2,089	2,379	2,089
Total intangible assets (non-current)		2,379	2,089	2,379	2,089

	Consolidated	Corporation
Reconciliation of the opening and closing balances of intangibles		
(Consolidated and Corporation)		
	\$'000	\$'000
As at 1 July 2005		
Gross Book Value	4,192	4,192
Accumulated amortisation	(2,103)	(2,103)
Opening net book value	2,089	2,089
Additions – by purchase	811	811
Amortisation	(521)	(521)
As at 30 June 2006		
Gross Book Value	4,782	4,782
Accumulated amortisation	(2,403)	(2,403)
Closing net book value	2,379	2,379

9(d) *Analysis of property, plant and equipment (Consolidated and Corporation)*

Reconciliation of the opening and closing balances of property, plant and equipment.

	Land	Buildings on Freehold Land	Buildings – Leasehold Improvements	Plant and Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 1 July 2005					
Gross Book Value	19,250	49,693	7,856	70,872	147,671
Accumulated depreciation/ amortisation	-	(14,896)	(1,183)	(50,421)	(66,500)
Opening net book value	19,250	34,797	6,673	20,451	81,171
Additions – by purchase	-	472	-	2,782	3,254
Depreciation/amortisation expense	-	(1,252)	(535)	(7,784)	(9,571)
Disposals					
From disposal of operations	-	-	-	-	-
Other disposals	-	-	-	(135)	(135)
As at 30 June 2006					
Gross Book Value	19,250	50,165	7,856	71,868	149,139
Accumulated depreciation/ amortisation	-	(16,148)	(1,718)	(56,554)	(74,420)
Closing net book value	19,250	34,017	6,138	15,314	74,719

- (xiii) The Corporation implements revaluations of all property, plant and equipment (except for computer software – see below), over successive five year periods, at fair value in accordance with AASB 116 “Property, Plant and Equipment”. All non-current assets were revalued at 30 June 2004 except for computer software and leasehold improvements.

The revaluations to 30 June 2004 have been implemented as follows:

- Freehold land was revalued as at 30 June 2004;
- Buildings on freehold land were revalued as at 30 June 2004;
- Plant and equipment were revalued at 30 June 2004.

In accordance with AASB 116, intangibles are carried at cost as no active market exists for the Corporation’s intangible assets.

The revaluation for plant and equipment was made by an independent valuer Simon B O’Leary, AAPI, MSA (Australian Valuation Office), at fair value. The revaluations for land and building were completed by independent valuers at fair value:

- R. Russo, AAPI, Certified Practising Valuer, Australian Valuation Office – Artarmon, NSW (land and building)
- C. Silvester, Fitzroys Pty Ltd, AAPI FREI - Craigieburn, Victoria (land).

		Consolidated		Corporation	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
9(e)	Inventories				
	All inventories are current assets.				
	<i>Inventories held for distribution</i>				
	Purchased program stocks – at cost	21,593	16,329	21,593	16,329
	Less accumulated amortisation 1(q), 6(d)	(9,572)	(7,469)	(9,572)	(7,469)
		12,021	8,860	12,021	8,860
	Commissioned programs (completed) – at cost	39,155	25,534	39,155	25,534
	Less accumulated amortisation 1(q), 6(d)	(15,322)	(8,969)	(15,322)	(8,969)
		23,833	16,565	23,833	16,565
	Commissioned programs – in progress	7,362	9,794	7,362	9,794
	<i>Total inventories held for distribution</i>	43,216	35,219	43,216	35,219
	<i>Total inventories</i>	43,216	35,219	43,216	35,219
9(f)	<i>Other non-financial assets</i>				
	Prepayments	16,410	13,275	16,410	13,275
	Deferred interest rate hedge	164	192	164	192
	<i>Total other non-financial assets</i>	16,574	13,467	16,574	13,467
	Other non-financial assets are represented by:				
	Current	15,175	13,302	15,175	13,302
	Non-current	1,399	165	1,399	165
	<i>Total other non-financial assets</i>	16,574	13,467	16,574	13,467

		Consolidated		Corporation	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
10. PAYABLES					
10(a) Suppliers					
Trade creditors (current)		14,691	10,442	14,687	10,437
Total suppliers payables		14,691	10,442	14,687	10,437
10(b) Other payables					
Prepayments received		3,005	1,809	3,005	1,809
Unearned appropriation	(xiv)	4,009	1,960	4,009	1,960
Other deferred revenue	(xv)	40,795	45,069	40,795	45,069
Total other payables		47,809	48,838	47,809	48,838
<p>(xiv) The unspent portion of appropriation received in 2006 to fund the Corporation's conversion to digital transmission is \$4.009m (2005: \$1.960m). In line with Government policy (to fund only the amounts required for the conversion to digital), the unrequired funds have been provided for – to return to the CRF.</p> <p>(xv) In 1999-2000, the Corporation received revenue from the TV Fund to provide analogue extensions to regional Australia over the next 12 years. In 2005 the Corporation received an additional \$4.606m to extend analogue services to regions with a population of 3,000 to 5,000, and also received \$0.125m under the Commonwealth's Television Black Spots – Alternative Technical Solutions Program. The amounts received, including interest, are recognised as revenue when related expenditure is incurred. Refer to notes 1(j), 5(d), and 8(c)(x).</p>					
Other payables are represented by:					
Current		13,514	9,369	13,514	9,369
Non-current		34,295	39,469	34,295	39,469
Total other payables		47,809	48,838	47,809	48,838
10(c) Current tax payable	1(r)				
Accounting profit (loss) of controlled company		64	285	-	-
Tax benefit (expense) at the applicable rate of 30%		(19)	(86)	-	-
Tax effect of revenues subject to a tax rebate					
Imputation credits on fully franked dividends		-	84	-	-
Tax effect of revenues not subject to income tax					
Share of net profits of associate accounted for using equity method		19	2	-	-
Total income tax expense		-	-	-	-
Total current tax payable		-	-	-	-

		Consolidated		Corporation	
	Notes	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
11. INTEREST BEARING LIABILITIES					
11(a) Loans					
Loans from Government	(xvi)	16,075	18,237	16,075	18,237
Total loan liability		16,075	18,237	16,075	18,237
(xvi)	The Corporation received a loan from Government on 2 July 2002 to refinance the balance of the Corporation's private sector loan for the construction and enhancement of the premises at Artarmon.				
	Maturity schedule for loans:				
	Payable:				
	Within one year:	2,296	2,162	2,296	2,162
	In one to five years:	10,685	10,065	10,685	10,065
	In more than five years:	3,094	6,010	3,094	6,010
	Total loan liability	16,075	18,237	16,075	18,237
12. PROVISIONS					
12(a) Employee provisions					
Salaries and wages		448	219	448	219
Leave		14,668	14,202	14,668	14,202
Superannuation		58	70	58	70
Separations and redundancies	(xvii)	1,697	96	1,697	96
Total employee provisions		16,871	14,587	16,871	14,587
(xvii)	Provision is made for separation and redundancy payments to employees identified at the reporting date, which can be reliably measured – see 1(k)(iii).				
	Employee provisions are categorised as follows				
	Current	14,854	12,468	14,854	12,468
	Non-current	2,017	2,119	2,017	2,119
	Total employee provisions	16,871	14,587	16,871	14,587
12(b) Other provisions					
Provision for "makegood"	(xviii)	2,062	1,949	2,062	1,949
Total other provisions		2,062	1,949	2,062	1,949

(xviii) The Corporation, under its lease agreement at Federation Square, has an obligation to restore ("makegood") leasehold improvements at the end of the lease term. The increase in provision in 2006 relates to the "unwinding" of its discounted value through the passage of time – see note 6(f)(viii).

13. CASH FLOW RECONCILIATION	Consolidated		Corporation	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Reconciliation of cash per Income Statement to Statement of Cash Flows				
Cash at year end per Statement of Cash Flows	3,755	4,555	3,730	4,447
Balance sheet items comprising above cash:				
Financial Asset – Cash	3,755	4,555	3,730	4,447
Reconciliation of operating result to net cash from operating activities				
Operating result	882	368	818	82
Non-Cash items				
Depreciation and amortisation of property, plant and equipment	10,092	10,350	10,092	10,350
Write-off of assets	126	361	126	361
Loss on disposal of property, plant and equipment	-	134	-	134
Increase / (decrease) in allowance for doubtful debts	(16)	5	(16)	5
Increase in interest capitalised (investments)	2,511	2,479	2,511	2,479
(Increase) in revenue prepaid for analogue extensions	(6,940)	(5,584)	(6,940)	(5,584)
(Gain) / loss on investment in associated company	(65)	(5)	-	-
Changes in assets and liabilities:				
Decrease / (increase) in receivables	(7,670)	(1,226)	(7,669)	(1,189)
Decrease / (increase) in inventories	(7,997)	(3,967)	(7,997)	(3,967)
Decrease / (increase) in prepayments paid	(3,107)	(2,565)	(3,107)	(2,565)
Increase / (decrease) in employee provisions	2,284	(2,093)	2,284	(2,093)
Increase / (decrease) in other provisions ("makegood")	113	112	113	112
Increase / (decrease) in supplier payables	4,249	271	4,250	270
Increase in provision for return of appropriation	2,049	1,960	2,049	1,960
Increase in prepayments for analogue extensions	125	4,607	125	4,607
Increase in other prepayments received	1,196	225	1,196	225
Net cash from (used by) operating activities	(2,168)	5,432	(2,165)	5,187

14. REPORTING OF OUTCOMES

Reporting by segments

The economic entity operates Radio and Television services within the broadcasting industry. Geographically the economic entity operates entirely within Australia. The Corporation is structured to meet one outcome:

Outcome 1: Provide multilingual and multicultural services that inform, educate and entertain all Australians and in so doing reflect Australia's multicultural society.

Net Cost of Outcome Delivery

	Outcome 1	
	2006 \$'000	2005 \$'000
Administered expenses	-	-
Departmental expenses	240,965	208,298
Total expenses	240,965	208,298
<i>Costs recovered from provisions of goods and services to the non-government sector</i>		
Administered Departmental	-	-
Departmental	-	-
Total costs recovered	-	-
<i>Other external revenues</i>		
Departmental		
Sale of goods and services – to external entities	51,506	34,473
Sale of goods and services – to related entities	2,719	2,188
Interest	1,932	1,498
Net gains from disposal of assets	-	-
Net foreign exchange gains (non-speculative)	-	15
Other revenues – from external entities	9,153	8,093
Other revenues – from related entities	65	5
Total other external revenues	65,375	46,272
Net cost / (contribution) of outcome	175,590	162,026

The net costs shown include intra-government costs that would be eliminated in calculating the overall Budget Outcome.

Major Departmental Income and Expenses by Output Groups and Outputs

Output 1: Television

Output 2: Radio

Output 3: Analogue Transmission and Distribution

Output 4: Digital Transmission and Distribution

	Output 1		Output 2		Output 3		Output 4		TOTAL	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Operating Expenses										
Employees	43,118	39,813	23,749	23,632	184	269	275	403	67,326	64,117
Suppliers	84,746	55,488	7,498	9,435	23,573	23,286	46,381	43,803	162,198	132,012
Depreciation and amortisation	8,227	8,446	1,865	1,904	-	-	-	-	10,092	10,350
Finance costs	858	947	333	368	-	-	-	-	1,191	1,315
Write-down of assets	132	346	10	24	-	-	-	-	142	370
Other	9	125	7	9	-	-	-	-	16	134
Total operating expenses	137,090	105,165	33,462	35,372	23,757	23,555	46,656	44,206	240,965	208,298
Funded by:										
Revenues from Government	83,385	67,838	29,298	34,995	17,546	17,109	46,243	42,452	176,472	162,394
Sale of goods and services	51,769	34,048	2,456	2,613	-	-	-	-	54,225	36,661
Interest	1,430	1,177	502	321	-	-	-	-	1,932	1,498
Other	2,721	2,512	23	10	6,474	5,591	-	-	9,218	8,113
Total operating income	139,305	105,575	32,279	37,939	24,020	22,700	46,243	42,452	241,847	208,666

All direct costs are charged to the outputs (Television, Radio, Analogue and Digital). Indirect and shared costs are attributed or apportioned to Television and Radio (Outputs 1 and 2) on the basis of staff numbers or usage (e.g. office space used).

15. FINANCIAL INSTRUMENTS

15(a) Terms, conditions and accounting policies

<i>Financial Instrument</i>	<i>Notes</i>	<i>Accounting Policies and Methods (including recognition criteria and measurement basis)</i>	<i>Nature of underlying instrument (including significant terms & conditions affecting the amount, timing and certainty of cash flows)</i>
Financial Assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	8(a)	Cash at bank and on hand is recognised at its nominal value. Interest is credited to revenue as it accrues.	Funds, mainly from monthly drawdowns of appropriation placed in bank accounts with the Corporation's banker.
Receivables for goods & services	8(b)	The receivables are recognised at the nominal amounts less any allowance for doubtful debts. An allowance for doubtful debts, based on a review of all outstanding amounts, is raised at year end. Bad debts are written off during the period in which they are identified.	Credit terms for receivables for goods and services are net 45 days for advertising debtors and 30 days for other debtors.
Investments – Term deposits	8(c), 8(d)	The economic entity has a series of investments with banks and other financial institutions for funds not immediately required for operational expenditure (for example, analogue extension moneys received from the TV fund to meet expenditure in future years).	The investments are held-to-maturity term deposits for periods up to 12 years. The weighted average effective interest rate of these investments is 5.9% (2005: 5.7%).
Financial Liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Loan from Government	11(a) 15(b)(xix)	Loans from Government are recognised at their principal amounts. Interest is expensed as it accrues.	SBS established a loan facility with the private sector in 1992 for the purpose of funding its specialised broadcasting premises at Artarmon. The facility expired in 2002, and was refinanced through an unsecured loan from Government at the prevailing 10 year Government bond rate (6.02%) – refer to note 15(b)(xix).
Suppliers (Trade Creditors)	10(a)	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (irrespective of having been invoiced).	Settlement is usually made net 30 days.

Interest rate risk

The economic entity has no unrecognised financial assets or liabilities as at 30 June 2006. Interest rate details of recognised financial assets and liabilities are disclosed below. Investment in the economic entity's associated company is excluded, in accordance with the Australian Accounting Standard (AASB 139) on Financial Instruments: Recognition and Measurement. Equity information in respect of the economic entity's associated company is disclosed in note 8(d).

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate Maturing in:						Non-Interest Bearing		Total		Weighted Average Effective Rate	
				1 year or less		1 to 5 years		> 5 years							
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 %	2005 %
Financial Assets															
Cash	8(a)	3,755	4,555	-	-	-	-	-	-	-	-	3,755	4,555	4.9%	4.9%
Receivables for goods and services	8(b)	-	-	-	-	-	-	-	-	18,529	10,843	18,529	10,843	n/a	n/a
Term Deposits	8(c), 8(d)	-	-	26,483	31,496	27,395	18,896	10,663	16,001	-	-	64,541	66,393	5.9%	5.7%
Total Financial Assets		3,755	4,555	26,483	31,496	27,395	18,896	10,663	16,001	18,529	10,843	86,825	81,791		
Total Assets												226,798	216,757		

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate Maturing in:						Non-Interest Bearing		Total		Weighted Average Effective Rate	
				1 year or less		1 to 5 years		> 5 years							
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 %	2005 %
Financial Liabilities															
Loan from Government	11(a)	-	2,296	2,162	10,685	10,065	3,094	6,010	-	-	14,075	18,237	6.0%	6.0%	
Suppliers (Trade creditors)	10(a)	-	-	-	-	-	-	-	14,691	10,442	14,691	10,442	n/a	n/a	
Total Financial Liabilities		-	2,296	2,162	10,685	10,065	3,094	6,010	14,691	10,442	30,766	28,679			
Total Liabilities											97,508	94,053			

- (xix) SBS entered into an interest rate hedge on 4 June 2002 to minimise the risk of interest rate movements on a loan from Government which was to be provided after balance date (2 July 2002) – at the prevailing 10 year Government bond rate (6.02%). The Commonwealth loan of \$24m was to repay the balance owing on a loan raised in 1992 for its Artarmon premises. The specific hedge entered into by the Corporation (on 4 June 2002) effectively locked the interest rate on the loan at 6.23%.

15(c) Foreign currency risk

The Corporation did not enter into any specific foreign exchange hedge contracts in 2006. Contracts entered into in foreign currency are not significant.

15(d) Credit risk

The economic entity's maximum exposures to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets, as reported in the Balance Sheet.

The economic entity has no significant exposures resulting from any concentration of credit risk.

15(e) Fair values of financial assets and liabilities

The fair values of cash, receivables for goods and services, and trade creditors approximate their carrying amounts. The fair values of term deposits and Commonwealth loan are based on discounted cash flows using current interest rates for liabilities with similar risk profiles, and are shown below.

There are no unrecognised financial assets or liabilities.

	Notes	Carrying Amount		Net Fair Value	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Financial assets					
Cash	8(a)	3,755	4,555	3,755	4,555
Receivables for goods and services (net)	8(b)	18,529	10,843	18,529	10,843
Investments under s18 of the CAC Act	8(c)	64,460	66,393	64,071	66,696
Other investments	8(d)	81	-	81	-
Total financial assets		86,825	81,791	86,436	82,094
Financial liabilities					
Loan from Government	11(a)	16,075	18,237	16,192	18,811
Suppliers – Trade Creditors	10(a)	14,691	10,442	14,691	10,442
Total financial liabilities		30,766	28,679	30,883	29,253

There are no unrecognised financial assets or liabilities.

	Consolidated		Corporation	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
16. CONTINGENT LIABILITIES AND ASSETS				
Quantifiable contingencies				
Contingent liabilities				
Claims for damages/costs	95	423	95	423
Total contingent liabilities	95	423	95	423
Contingent assets				
Claims for damages/costs	-	-	-	-
Total contingent assets	-	-	-	-
Net contingent liabilities	95	423	95	423

The Corporation is presently a defendant in several cases.

The amounts represent the Corporation's liability if unsuccessful.

17. APPROPRIATIONS

	Departmental Outputs		Loans		Equity		TOTAL	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<i>Year ended 30 June</i>								
Balance carried forward from previous year	-	-	-	-	-	-	-	-
Appropriation Acts 1 and 3	180,481	164,354	-	-	-	-	180,481	164,354
Appropriation Acts 2 and 4	-	-	-	-	5,850	5,620	5,850	5,620
Available for payment of CRF	180,481	164,354	-	-	5,850	5,620	186,331	169,974
Cash Payments made out of CRF	180,481	164,354	-	-	5,850	5,620	186,331	169,974
<i>Balance carried forward to next year</i>	-	-	-	-	-	-	-	-
<i>Represented by:</i>								
Appropriations Receivable	-	-	-	-	-	-	-	-

This table reports on appropriations made by the Parliament of the Consolidated Revenue Fund (CRF) for payment to the Corporation. When received by the Corporation, the payments are legally the money of the Corporation and do not represent any balance remaining in the CRF.

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09 JULY 2006
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Appendix