2006 ANNUAL REPORT

BROADCAST SERVICES AUSTRALIA LIMITED

bsa

Contents

CHAIRMAN'S REPORT

"We expect to enjoy substantial organic growth and will diligently remain on the lookout for growth opportunities where acquisitions could benefit from our management model.

As your Chairman it gives me great pleasure to report to you on the events of the past year, including in particular a number of important decisions which were necessary to chart a clear path to sustained growth and profitability. The 05/06 year has been momentous in many ways. Naturally, bigger challenges always lie ahead but your board is confident and united in meeting the myriad of issues which confront growing companies.

After one-off costs and adjustments to comply with the new AIFRS accounting standards, BSA reported an EBITDA of $4.6 million (prior year $4.1 million). It is important to note that most of the adjustments were of a non cash nature. As expected, the company's underlying EBITDA was around $5.7 million before taking in to account those AIFRS adjustments together with losses in, and the major restructure of, the broadcast business.

Confident in the profitability of the company, the board issued its maiden interim dividend in February and completed the year by announcing a full year dividend in July. These were the first dividends paid by BSA since its inception as a public company.

The board made some important changes to its management structure this year including the appointment of Mark Foley as the sole Managing Director. Your board took the view that dedicating Daniel Lipshut's time exclusively to corporate development, with Mark focusing on management of what is now a very large business would be more productive and profitable for the company and therefore the shareholders. The new structure has worked extremely well since adoption in December 2005. I take this opportunity to thank Daniel for his contribution as joint MD over the last three years.

I especially welcome the appointment of Edwin Maxwell (Max) Cowley to the board during the year which has significantly strengthened the board's capability through his extensive experience in finance and media services. In addition, his experience and strength under pressure has been a great help to the board and to me personally as Chairman. Max is company secretary of the company's largest shareholder Birketu Pty Limited.

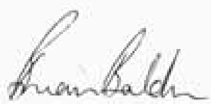
Looking ahead, our confidence in management, market sector and company structure is high. We expect to enjoy substantial organic growth and will diligently remain on the lookout for growth opportunities where acquisitions could benefit from our management model.

All of this is only possible with good people, which leads me to congratulate in particular the senior members of Mark Foleys' team, Brendan Foley, Ray Larkin, Barbra Godfrey, Shaun Rafferty and Leaston Paull who between them have set the benchmark for this industry and in whom much of our confidence for the future is based. As a result of their efforts and those of your board, BSA has managed to capitalise on its strengths and forge ahead, clearing a path for an exciting year ahead. We see ourselves in the strongest position this company has ever been.

In addition to my previous remarks specific to a number of your Directors, I express my appreciation to fellow non-executive Directors, Michael Givoni and Paul Teisseire. Both individuals have given extraordinary amounts of time and valuable expertise to the company since their appointment, well beyond that envisaged by a non-executive role. Shareholders are well served by their contribution.

We have expressed an outlook for the company this coming year which is set to deliver financial results well in excess of the 2005/6 year. The board expects BSA to generate more than $150 million in revenue and $8 million in earnings (EBITDA) during the 2006/7 year. With a strong balance sheet clear of encumbrances and an exceptional team, your board has the confidence to look at expanding the company's interests further in the year ahead.

We look forward to your continued support and encourage you to attend the AGM so we can meet you in person.



Brian Baldwin,
Chairman
Sydney
26 September 2006

MANAGING DIRECTORS' REPORT

"BSA has firmed its position as a quality national technical services provider of high volume works.

Introduction

This past year has been an important period for both the development of new business and maturing of traditional BSA operations. We have managed to cement relationships with a number of important customers and extend contracts in areas of the business which have performed extremely well.

Having been appointed by the board as the company's sole Managing Director in December 2005 and with its complete support, I embarked on a review of operations across the company's business units. While most are performing extremely well, I acted on an urgent need to address the underperforming transmission business, taking some difficult decisions resulting in a number of redundancies and one-off costs. These adjustments have impacted the period's results significantly. The good news is that by reshaping BSA's customised communications and broadcast business, aligning it more closely with our successful sub contractor model, I anticipate immediate and long term benefit for shareholders, while maintaining continuity of operations in the market space we occupy.

Operations

As a board, BSA is focused on shareholder returns. As a business though, BSA is all about service, quality, safety and customer satisfaction. This year, together with my dedicated team, we delivered strong increases in contracted works with existing customers including new or renewed contracts with Telstra, Optus and FOXTEL. Given the nature of BSA business, the extension of such important customer contracts is important to ongoing growth and testament to the hard work expended throughout the organisation. BSA's ability to deliver considerable resources at ever increased quality of service, safety and cost effectiveness, is outstanding.

In this light, I am happy to advise that BSA achieved accreditation as ISO 9000 compliant and as a Registered Training Organisation (RTO) during the year. These achievements are a reflection of our constant drive to create Australia's best trained workforce and contractors delivering the highest quality of service to its customers.

Financial Results

Revenue for the period grew to $130.6 million (2005 $119.1m) with earnings before interest, tax and depreciation and amortisation (EBITDA) of $4.6 million (2005 $4.1m) after accounting for costs associated with the transmission business restructure. Net Profit After Income Tax amounted to $0.7 million (2005 $2.0 million).

> "As always, risk management continues to be paramount in everything we do.

As announced in May and June 2006 a number of adjustments to the year's results were directly related to the reorganisation of BSA's broadcast business which totalled around $1.0 million. There was an additional non-cash write off of goodwill of $1.5 million. If viewed on an adjusted basis excluding the broadcast business, and AIFRS adjustments made, the EBITDA would have totalled $5.7 million.

Cash has been well managed this year prompting the BSA directors to declare dividends, the first in the company's history.

The company's equity position has improved also. Total assets of BSA have grown modestly to $41.7 million from $39.1 million last year. Shareholder equity rose accordingly to $27.4 million from $26.0 million. Net debt has been relatively static leaving the company in a strong position to leverage its balance sheet via acquisition if appropriate or investment in prudent capital expenditure able to assist growth from within.

A good example of prudent capital expenditure to promote growth is the BSA Advanced Learning initiative, of which I am very proud. This year the board agreed to invest more than $500,000 on new vans and tools for almost twenty school-leavers to commence training. These trainees, having completed their two year field and classroom course, will add to BSA's national capability while delivering a better bottom line and value to shareholders.

Segment Results

During the period, the consolidated entity operated in the following segments:

1. Telecommunications and Broadcasting
2. Subscription TV and Free to Air

The performance of these business units is detailed in the Directors' report and the accompanying Financial Statements.

In summary, the business contributed the following results for the period:

	Telecommunication and broadcasting		Subscription TV and free to air		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	51,435	38,160	79,183	80,944	130,618	119,104
EBITDA	853	98	3,728	4,015	4,581	4,113
Profit/(Loss) pre-tax	257	(183)	1,366	3,159	1,623	2,976

Adoption of Australian Equivalents to IFRS

BSA has complied with its requirements in respect of the adoption of Australian equivalents to International Financial reporting Standards (AIFRS). The company's financial statements for the year end 30 June 2006 have been prepared under AIFRS. In accordance with the new accounting standards, we have written down the goodwill associated with the transmission solutions business which amounted to $1.5 million. This is a non cash adjustment. The final result was also impacted by the new standards through the $457,000 costed against share options currently issued. While the options have little or no value having been struck at $0.48 cents, through AIFRS, the original value ascribed to them cannot be changed. Though this sum is a cost within the company's statement of performance, the impact is again, non-cash.

The Future

Daniel Lipshut is now applying his strategic focus on corporate development of the business, which will assist us in securing new opportunities.

BSA has firmed its position as a quality national technical services provider of high volume works. We intend to capitalise on this hard fought reputation by expanding the types of services we deliver and extending the coverage where we deliver them.

Our telecommunications activities are being focused on broadening service propositions. We extended the company's Telstra and Optus service capabilities last year through winning a major portion of the Specialised Services and professional ADSL installation contracts. These contracts alone have lifted revenue (prorated) by around $10 million per year, with the prospect of increasing that figure further this year. This coming year we intend to focus on more technical service and support contracts using the skills and coverage BSA already possesses. Having invested in exchange skills like Digital Subscriber Line Access Multiplexer (DSLAM), Synchronous Digital Hierarchy (SDH) and other transmission installation capabilities, our view on communications in Australia supports an expansion of those skills. We will be targeting high end installation roll-out programmes currently being considered or undertaken by all carriers.

We are well down the track with FOXTEL in developing long term plans to assist ease of installation and other customer service satisfaction initiatives. With a partner as professional, willing and reliable as FOXTEL, opportunities continue to emerge.

We will invest more into training and trainees. Our goal this year is to initiate another twenty traineeships to maintain two rotating classes of twenty trainees each year. Capex investment will diminish as the volume of tool kits and vans reaches capacity after this year.

We will continue to refine and invest in our proprietary IT system which gives BSA significant operational advantages through its customisation and ease of use.

Risk Management

As always, risk management continues to be paramount in everything we do. From board level analysis of corporate and environmental risks, to review of service delivery with our subcontractors working on behalf of the company. Controls and reporting lines have been improved and benchmarked against KPI's which are monitored. I am glad to say that we have improved and lowered the company's overall risk profile. This will result in greater stability of earnings and a safer environment in which we ask our staff to work.

In conclusion BSA has a strong culture of dedication and delivery to its customers. I am extremely proud of the commitment shown by staff throughout the company and the professionalism displayed each day as we deliver thousands of services across Australia. It gratifies me to share my experience of just how integral the outstanding individuals working for your company really are and allows me a rare opportunity to personalise and humanise the importance of what they do in an effort to create valuable returns for you.

As BSA enters the new year, it is better positioned than ever before. We have removed the underperforming elements of our business and retained profitable, stable, high performance revenue streams. It is my intention to maintain the pace of change from within while taking advantage of a new structure which enables us to look outward for growth opportunities in parallel.

M. Foley.

Mark Foley,
Managing Director
Sydney
26 September 2006

DIRECTORS' REPORT

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BSA has consistently delivered quality service and continues to lead in safety, training techniques and operational efficiency.

The directors of Broadcast Services Australia Limited (the 'Company') present their annual financial report of the Company for the year ended 30 June 2006.

Directors

Directors in office during the year and at the date of this report were:

Brian Baldwin – Chairman (Non-executive)
Brian commenced his business career in the Venture Capital industry while it was still a fledgling market sector in 1983. During that time, he was responsible for assessing hundreds of businesses for potential investment and making investment recommendations to boards. His accumulated corporate acumen and reputation prompted a number of major banks to seek Brian's skills both locally and internationally, to assist in turnarounds of stressed or failing companies. First appointed Director of a public company in 1984, Brian has been a Director of many companies since. He founded and still owns Australia's' largest privately owned recruitment and contracting company, Challenge Recruitment. Brian was appointed as a Director on 5 December 2002.

Mark Foley – Managing Director
Mark has over 15 years of management experience gained as principal in the electrical contracting field in addition to five years at the helm of BSA. He has established numerous successful businesses in satellite, electrical, property development and managed services sectors. Mark has an open communicative style supported by expert knowledge and a wealth of experience in operational execution. Mark is a Director of a number of private companies and the Bendigo listed Brumby's Bakeries Holdings Ltd. Mark was appointed Managing Director on 25 September 2001.

Daniel Lipshut – Executive Director
Daniel is responsible for corporate and business development. Daniel's extensive commercial background includes M&A, business development, bidding and managing contracts in various defence, broadcast and communication sectors. Daniel has a Master of Business Administration from the University of Technology Sydney and is a member of the Australian Institute of Company Directors. He was appointed Director of Broadcast Services Australia Limited on 5 December 2002.

Paul Teisseire – Non Executive Director
Is a professional independent non-executive director. Paul has spent over 20 years in private practice as a corporate lawyer specialising in business and corporate law with a special interest in corporate governance. Based in Adelaide, Paul is chairman of each of Auspine Ltd, Legend Corporation Ltd and Australian Executor Trustees Ltd (an operating subsidiary of Australian Wealth Management Ltd) and is also a non-executive director of unlisted Challenge Recruitment Limited and Austin Exploration Limited. Paul was appointed as non executive director on 23 March 2005.

Michael Givoni – Non Executive Director
Michael is a Senior Executive at Spotless Group Limited. He is the Group General Manager Marketing, involved in strategy, business and corporate development activities. Previous to his management career, Michael was a practising solicitor and a partner in a prominent corporate legal practice. Michael is also a director of The Venture Bank Ltd, and a number of private companies. Michael was appointed as non executive director on 23 March 2005.

Max Cowley – Non Executive Director
Max is the principal of accounting firm E M Cowley & Co and has practised as a chartered accountant as principal for 41 years. He is a Director of Bidvest Australia Limited, WIN Corporation Pty Limited and a number of private companies. Max is the company secretary of Birketu Pty Limited, BSA's single largest shareholder and has been closely involved with the development of WIN Corporation Pty Limited, Australia's largest regional broadcast network from its commencement and over the past thirty years. His years of corporate and financial experience are extensive. Max was appointed to the Board of BSA Limited on 2 May 2006.

Director Independence

The board considers three of BSA's directors independent as defined under the guidelines being: Brian Baldwin, Paul Teisseire and Michael Givoni.

In assessing the independence of directors, the board follows the ASX guidelines as set out:

An independent director is a non-executive director (ie is not a member of management) and:

1. is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
2. within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment
3. within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided
4. is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
5. has no material contractual relationship with the company or another group member other than as a director of the company
6. has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Performance of directors

In accordance with Principle 8(1) the board has conducted a review of the performance of its directors and the board's function as a whole during the period. The evaluation of directors was done in accordance with the process established by the board, led by the chair of the Remuneration and Nominations committee.

Principal Activities

The principal activities of the consolidated entity during the financial year were;

- Acting as national provider of contracting services to subscription television and telecommunication companies for their customer base;
- The supply of TV aerials and related digital television communication / alarm equipment and services to the home, through franchise brands; and
- Delivery of infrastructure projects, services, transmission and microwave equipment to the Broadcast and Telecommunication industries.

There were no significant changes to the company's activities throughout the year.

Financial Highlights

BSA's total revenue for the year grew to $130.6 million (2005 $119.1m) with resultant earnings before interest, tax and depreciation (EBITDA) of $4.6 million (2005 $4.1m) after one-off costs and adjustments to comply with the new AIFRS accounting standards. It is noteworthy that most of the adjustments were of a non cash nature. The company's underlying EBITDA was around $5.7 million before taking in to account the AIFRS adjustments, losses in TS as outlined in previous ASX announcements and one time costs associated with the major restructure of the broadcast business.

Although revenue increased by 9.8%, Net Profit after provision for Income Tax (NPAT) decreased to $0.7m (2005 $2.0m). The decrease in profit was caused primarily by the losses in the company's broadcast transmission business and subsequent changes made to that business unit including the writing off of $1.5 million of goodwill. BSA has provided for any remaining costs associated with the broadcast business unit and sees no impediment to earnings going forward as a result of the previous structure in that division.

The Home Services business of Mr Antenna and Mr Alarms also underperformed expectations, particularly during the first half of the period. The cost structure of this division has now been reduced.

The group's consolidated first half year EBITDA of $2.6 million (on $62.6 million revenue) decreased in the second half to $2 million (on $68 million revenue), a decrease of 23% due to the issues identified in the broadcast transmission business.

Earnings Per Share

	2006	2005
Basic earnings per share	0.40 cents	1.03 cents
Diluted earnings per share	0.40 cents	1.02 cents

Operational Highlights

Generally market conditions remained steady in most volume contracting sectors for the company. Costs rose in relation to new employment and training to service growth in these businesses but these were offset by increased volume of work and better margins on trainee workers. The FOXTEL work looks robust and on going as the customer has invested heavily in generating greater subscriber numbers on its digital platform. Telstra work continues to develop with new work won and current contracts extended or expanded. Competition in this sector is strong but BSA has consistently delivered quality service and continues to lead in safety, training techniques and operational efficiency.

At the end of the year, BSA was delivering approximately 95,000 separate jobs (or tickets of work in contract language) every month. These TOW volumes grew throughout the year from around 80,000. The business has a proprietary work management system which it owns outright and pays no royalty for. BSA operations rely on this sophisticated customised IT system which is widely regarded by industry professionals as the best of class. Continued IT development provides BSA with a clear advantage in its ability to perform work cost effectively and competitively bid for new opportunities.

Notable events during the year were

- Contracts won during the year include a Telstra Specialised Services Contract which extends three years. This contract secures BSA as a manager of works for Telstra in a number of Australian regions for the delivery of services spanning fibre optic cable haul and installation to construction and redirection of communications services for infrastructure projects
- The past 12 months have been particularly assiduous in BSA's FOXTEL business unit. The opening of FOXTEL's state of the art Broadcast Centre reaffirmed its continued long term commitment to increase subscriber penetration numbers which have steadily grown. During the year BSA installed more than 3.7 MILLION metres of cable into FOXTEL customers' homes across the country – a distance further than Melbourne to Perth!
- The commercial business centre at BSA continued to expand with new clients such as; Mirvac Construction Group, Newington Homes, GLS Property Developments which all used BSA to manage their subscription television installation needs. New initiatives included installation of TV infrastructure on Oil Rigs and mine sites throughout WA and; a Satellite Access Services contract from Telstra to provide broadband services to regional areas of Western Australia and South Australia.
- A trainee programme was commenced through the BSA Advanced Learning group investing capex of approximately $500,000 on vans and tools for new trainees. The programme for each trainee runs over two years and includes comprehensive classroom and field education. BSA was accredited as a Registered Training Organisation (RTO) during the year.
- The transmission business unit was completely restructured so as to realign it to the successful model used throughout the rest of BSA. Capability has been maintained through specialists supplemented by contract labour as required. Opportunities continue to emerge in telecommunications transmission work including Digital Subscriber Line Access Multiplexer (DSLAM) and Synchronous Digital Hierarchy (SDH) installations.
- Consolidation of accounting systems was completed to improve efficiencies within the finance department and reduce internal reporting time.
- Expansion of company headquarters in Auburn, NSW to facilitate continued growth in volume service business. This required larger call centre facilities and logistics handling capabilities. Training facilities were also expanded.
- BSA manages around 1000 subcontractors Australia wide. Subcontracted technicians are trained to perform specialist services in accordance with the customer on whose behalf they choose to supply services through BSA. No matter where in Australia they are located, each approved subcontractor makes itself available to perform services and agrees to become accredited by BSA in accordance with the standards and special requirements of the customer. All subcontractors pass rigorous safety and occupational hazard training then specialise in FOXTEL, Telstra or Optus specific training. All technicians working on the Telstra or Optus networks are trained to Australian Communications Authority (ACA) standards. BSA training business unit: BSA Advanced Learning, grew from 2 to 8 fulltime accredited trainers over the year.

Outlook

BSA will increase sales and profit over the next year by delivering results based on stable high performance business units delivering consistent results. The company has plans to:

- Further expand its trainee programme to create more skilled technicians upon which to rely as a flexible resource in the future.
- Extend its FOXTEL scope of works in line with the FOXTEL's Future Mode of Operations programme.
- Roll out Voice Over Internet Protocol (VOIP) communications between state offices to further reduce costs between sites.
- Focus on extending BSA's exchange and transmission installations capability including fibre skills and resources.
- Establish greater IP engineering skills and 24 X 7 support capability for new communications opportunities.
- Invest business development recourses into more managed services and support contracts.

Consolidated Results

The net amount of consolidated profit of the consolidated entity for the financial year after income tax was $702,000.

Dividends Paid or Recommended

Dividends paid or declared for payment are as follows:

Interim ordinary fully franked dividend of 0.5 cents per share paid on 17 March 2006 $753,000

Final ordinary fully franked dividend of 0.5 cents per share paid on 15 September 2006 $756,000

Changes in State of Affairs

Changes in the state of affairs of the entity during the financial year were as follows:

a. net increase in the contributed equity of $1,037,656 including $12,353 of related fees (from $46,563,825 to $ 47,601,481) as a result of:

- Issue of 250,000 fully paid ordinary shares @ $0.20 each on exercise of options granted
- Issue of 4,000,000 fully paid ordinary shares @ $0.24 to an employee under the Broadcast Services Executive Securities Plan
- Issue of 743,742 fully paid ordinary shares under the Dividend Reinvestment Plan

b. net cash received for the increase in contributed equity amounting to $50,000.

c. significant expenses relevant in explaining the financial performance:

- One off expense for completing the BSA Pty Ltd transaction – $324,000
- Share-based payments expense – $457,000
- Impairment of goodwill – $1.5m
- Write down of inventories to net realisable value – $830,000

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition to AIFRS is included in Note 2 to this report.

Events Occurring After Balance Date

Reorganisation of Broadcast and Telecommunications Segment

On 6 July the company announced the reorganisation of the broadcast and telecommunications segment due to its poor performance. The financial effect of the poor performance of the transmission business on the results for the year ended at 30 June 2006 is:

Impairment of goodwill applying to this reorganisation recognised in the accounts amounted to $1,500,000.

Inventory is recognised at net realisable value which is nil value.

The Directors announced a final 0.5 cent dividend (half of one cent) with a record date of 11 August 2006 and payment date of 15 September 2006.

Contract with Major Communications Equipment Supplier

Since year end, BSA has secured a contract with a major US communications equipment supplier for the 24 X 7 support of their products in Australia during an extensive three year roll-out programme they have secured.

Environmental Regulation and Performance

The Company was not subject to any particular or significant environmental regulations of the Commonwealth individual States or Territories during the financial year.

Corporate Governance

The company continued to follow best practice recommendations as set out by the ASX Corporate Governance Council. Where the Company has not followed best practice for any recommendation, explanation is given in the Corporate Governance section in this annual report. Further corporate governance information is available on the Companies web site at www.bsa.com.au/corporate.

Remuneration Report

This concise report details the nature and amount of remuneration for each director of BSA Limited, and for the executives receiving the highest remuneration. The full remuneration report can be found under the financial section of this annual report.

Remuneration Policy

The remuneration policy of BSA Limited has been designed to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of BSA believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for executive directors and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board. Professional advice from independent external consultants was obtained for the development of executive directors' remuneration.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.
- The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors.

Nominated Executives are also entitled to participate in the employee share and option arrangements at the discretion of the remuneration committee. All executive directors and executives receive a superannuation guarantee contribution as required by government legislation, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

Board Remuneration

The board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee share plan.

Performance-based Remuneration

As part of each executive director and executive's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between directors/executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with directors/executives to ensure buy-in. The measures are specifically tailored to the areas each director/executive is involved in and has a level of control over. The KPIs target areas the board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the business unit and group which includes consideration of respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the group's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, BSA bases the assessment on audited figures, however, where the KPI involves comparison of the group or a division within the group to the market, independent reports are obtained from various organisations.

Details of Remuneration for Year Ended 30 June 2006

The remuneration for each director and each of the five executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Salary, fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Options	Other	Total	Performance related
Directors								
	$000's	$000's	$000's	$000's	$000's	$000's	$000's	%
Brian Baldwin	64	6	-	-	-	-	70	-
Mark Foley	358	33	-	-	200	-	591	-
Daniel Lipshut	309	20	-	-	200	-	529	-
Max Cowley	10	1	-	-	-	-	11	-
Michael Givoni	50	5	-	-	-	-	55	-
Paul Teisseire	50	5	-	-	-	-	55	-
Total	841	70	-	-	400	-	1,311	
Specified Executives								
Brendan Foley	215	18	44	-	11	-	288	15.2
Shaun Rafferty	153	11	-	-	-	-	164	-
Ray Larkin	130	11	46	-	11	-	198	23.3
Leaston Paull	129	11	38	-	-	-	176	21.4
Bryce Wood	152	13	-	-	-	-	165	-
Ian McGregor	80	17	-	-	33	241	370	-
Total	859	81	128	-	55	241	1,361	

Options Issued as Part of Remuneration for the Year Ended 30 June 2006

No Options were issued to directors or executives as part of their remuneration during the period. Company policy regarding options has changed and now no longer contemplates the issue of options to executive directors or executives. The board may amend this policy in future. Current and future non-cash incentives to executive directors and/or executives include participation in the BSA executive share plan. Invitation to participate and to what extent, is calculated to increase goal congruence between executives, directors and shareholders.

Employment Contracts of Directors and Senior Executives

The employment conditions of the managing director, Mark Foley and executive director Daniel Lipshut, are formalised in contracts of employment. Other than the managing director and executive director, all executives are permanent employees of BSA. *Mark Foley* is employed under a fixed three-year contract, which commenced on *October 1st 2005* and expires on *September 30th 2008*. Daniel Lipshut is employed under a fixed two-year contract, which commenced on *October 1st 2005* and expires on *September 30th 2007*.

The employment contracts stipulate a range of three to six-month resignation periods. The company may terminate an employment contract without cause by giving notice to the employee and making payment in lieu of the notice period in accordance with the individual's contract. Where a contracted employee resigns, termination payments are provided for within the notice period of each individual's contract. Termination payments are generally not payable on dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. In a case of termination for misconduct any loans are to be immediately repaid and all entitlements to awards in relation to incomplete cycles will be forfeited.

Information on Directors

At 30 June 2006, director's interests in Broadcast Services Australia Limited shares and options were:

Director	Special Responsibilities	Ordinary Shares	Options	Escrowed Shares till 22 Dec 2007	Escrowed Shares till 13 Jan 2009
Brian Baldwin Chairman Non-executive	Acting Chairman of Board Member of Audit Committee Member of Nomination and Remuneration Committee	3,101,824	Nil	Nil	Nil
Mark Foley Executive director	Managing Director	4,131,607	3,000,000	2,617	4,000,000
Daniel Lipshut Executive director	Executive Director	148,648	3,000,000	2,617	
Paul Teisseire Non-executive	Chairman of Audit Committee Member of Nomination and Remuneration Committee	Nil	Nil	Nil	Nil
Michael Givoni Non-executive	Chairman of Nomination and Remuneration Committee Member of Audit Committee	100,000	Nil	Nil	Nil
Max Cowley Non-executive	Appointed 2nd May 2006 Member of Nomination and Remuneration Committee Member of Audit Committee	*30,244,000	Nil	Nil	Nil

** Shares owned by Birketu Pty Ltd*

Directors' Current and Former Directorships

Period of Appointment	Name of Company / Trust	Position Held (Non Exec or Exec Director)
Brian Baldwin		
11 October 2002 to 13 October 2005	Challenge Recruitment Ltd	Non Executive Chairman
Mark Foley		
Appointed 14 January 2003	Brumby's Bakeries Holdings Ltd	Non Executive Director
Daniel Lipshut		
Appointed 27 August 1996	Intercorp Pty Limited and Intercorp Telecommunications Pty Limited	Non Executive Director
Paul Teisseire		
Appointed August 1996	Auspine Ltd	Non Executive Chairman and Member (prior Chairman) of Audit and Compliance Committee
Appointed July 1996	Australian Executor Trustees Ltd (Former Tower Trust Ltd)	Non Executive Chairman and prior, Chairman and member of the Audit and Compliance Committee to June 2005
Appointed March 2004	Legend Corporation Ltd	Non Executive Chairman and Member of the Audit and Compliance Committee
Appointed June 2006	Austin Exploration Ltd	Non Executive Director
Michael Givoni		
Appointed 31 July 2001	Venture Management Investment Company Pty Ltd	Non Executive Director
Appointed 1 July 2002	The Venture Bank Limited	Non Executive Director

Max Cowley		
Appointed 3 August 2001	Birketu (Pty) Ltd	Company Secretary
Appointed 27 July 2000	WIN Corporation Pty Ltd	Director
Appointed 3 February 2005	Sydney Fish Market Pty Ltd	Director
Appointed 27 July 1987	Bidvest Australia Ltd	Director

Company Secretary

The following persons held the position of company secretary at the end of the financial year.

Mr Mark Foley

As well as his position of Managing Director, Mark Foley was the company secretary until 5 July 2006 when he resigned that position to concentrate on the operations of the company.

Mr Graham Allan Seppelt CPA (University of South Australia). Appointed 6 February 2006.
Mr Seppelt has had extensive experience as a contract accountant and in corporate advisory roles. He is currently company secretary for Enterprise Energy NL, Primary Resources Limited and Rundle Capital Partners Limited and is the additional company secretary for Legend Corporation Limited.

Meetings of Directors

The number of meetings of the company's board of directors and each board committee held during the year ended 30 June 2006, and the number of meetings attended by each director were:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Brian Baldwin	20	20	6	6	4	4
Paul Teisseire	19	20	6	6	4	4
Michael Givoni	19	20	5	6	4	4
Mark Foley	20	20	*	*	*	*
Daniel Lipshut	20	20	*	*	*	*
Max Cowley(1)	4	4	1	1	1	1

A Number of meetings attended
B Number of meetings held during the time the director held office or was a member of the committee during the year
** Not a member of the relevant committee*
1 Appointed 2nd May 2006

Retirement, Election and Continuation in Office of Directors

Directors are subject to retirement by rotation and election by shareholders at a general meeting. No director other than the Managing Director, may remain on the Board for more than three years without re-election. Where a director is appointed during the year, the director will hold office until the next Annual General Meeting and then be eligible for election.

Max Cowley was appointed as a director during the year and in accordance with the constitution retires as a director at the annual general meeting. Being eligible, Max will offer himself for election.

Daniel Lipshut is the director retiring by rotation who, being eligible, offers himself for re-election.

Indemnification of Officers and Auditors

The Company has entered into Deeds of Indemnity with each of the Directors and has taken out Directors and Officers Insurance (D&O) on behalf of each of the Directors, Annual premium paid is $65,191.

No liability has arisen under this indemnity as at the date of this report.

Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Proceedings on Behalf of the Company

No person has applied to the court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened on behalf of the company with leave of the court under section 237 of the Corporations Act 2001.

Auditor

BDO continues in office in accordance with section 327 of the Corporations Act 2001.

Auditors Independence Declaration

A copy of the auditors independence declaration as required under section 307c of the Corporations Act 2001 is set out on page 28 of this report.

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or group are important.

Details of the amounts paid or payable to the auditor (BDO) for audit and non-audit services during the year are set out below.

The board of directors has considered the position and in accordance with the advice received from the audit committee, is satisfied that the position of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.The Directors are satisfied that the provision of non-audit services by the auditor, as set out below did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors own work, acting in a management or a decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

AUDITORS' REMUNERATION

	Consolidated		Parent Entity	
	2006	**2005**	**2006**	**2005**
	$	$	$	$
Amounts paid / payable to BDO for:				
- auditing or reviewing the financial report	191,924	186,939	191,924	186,939
- taxation services	19,300	34,457	19,300	34,457

M. Foley.

Mark Foley,
Managing Director
Sydney
26 September 2006

CORPORATE GOVERNANCE STATEMENT

The Board of Broadcast Services Australia Limited (BSA) practices the highest ethical and commercial standards while executing its responsibilities in directing the business and affairs of the Company on behalf of its shareholders.

The Board of BSA has considered the principles of good corporate governance and best practice recommendations as published by the ASX Corporate Governance Council (ASXCGC) in March 2003. ASX Listing Rule 4.10.3 requires the Company to disclose the extent to which it follows these best practice recommendations in its Annual Report.

This report discloses corporate governance practices Directors would like to highlight to stakeholders. To gain a complete appreciation of the company's governance charter in detail, this document should be read in conjunction with:

- the Company's Corporate Governance web page www.bsa.com.au where fuller details are available; and
- the Recommendation Checklist, following this Corporate Governance Report (CGR), provides in summary format the ASXCGC core principles and recommendations and indicates where the Company has not followed a particular recommendation including a full explanation as to why not.

The Role of the Board & Management

The Board of the Company is responsible for the overall corporate governance of the BSA Group, including its ethical behavior, strategic direction, establishing goals for management and monitoring the achievement of those goals with a view to optimising Company performance and maximizing shareholder value.

The role of management is to support the managing director and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Scheduled meetings of the Board are held monthly and the Board meets on other occasions to deal with matters that require attention between scheduled meetings. The responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Managing Director.

The Board is responsible for:

- Setting the strategic direction of the Company and establishing goals to ensure these strategic objectives are met;
- Appointing the Managing Director, setting objectives for the Managing Director and reviewing performance against those objectives, ensuring appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning;
- Monitoring financial performance including approval of the annual and half-yearly financial reports and liaison with the Company's auditors;
- Ensuring that risks facing the Company and its controlled entities have been identified ensuring that appropriate and adequate controls, monitoring and reporting mechanisms are in place;
- Receiving detailed briefings from senior management on a regular basis during the year;
- Approving the Directorate of subsidiary companies; and
- Ensuring the Company complies with the law and confirms to the highest standards of financial and ethical behavior.

Members of the Board visit the Company's places of business and meet with local management and key customers. These actions enable Directors to enhance their knowledge of the Company's activities and assist them in setting the performance for senior executives.

The composition of the Board is determined in accordance with the Company's constitution and the following principles and guidelines:

- The Board should comprise of at least three Directors with at least two Non-Executive Directors;
- The Board should comprise of Directors with an appropriate range of qualifications and expertise; and
- The Board should meet formally at least eleven times per annum and informally on an as required basis with all Directors being made aware of, and having available, all necessary information, to participate in an informed discussion of all agenda items.

Directors in Office

At the date of this statement the following directors are considered independent by the Board:

Name	Position	Independent
B Baldwin	Chairman & Non Executive Director	Yes
M Cowley	Non-Executive Director	No
M Foley	Managing Director	No
M Givoni	Non-Executive Director	Yes
D Lipshut	Executive Director	No
P Teisseire	Non-Executive Director	Yes

Director Independence

The board considers three of BSA's directors as independent under the guidelines: Brian Baldwin, Paul Teisseire and Michael Givoni.

In assessing the independence of directors, the board follows the ASX guidelines as set out:

An independent director is a non-executive director (ie is not a member of management) and:

1. is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company
2. within the last three years has not been employed in an executive capacity by the company or another group member, or been a director after ceasing to hold any such employment
3. within the last three years has not been a principal of a material professional adviser or a material consultant to the company or another group member, or an employee materially associated with the service provided
4. is not a material supplier or customer of the company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
5. has no material contractual relationship with the company or another group member other than as a director of the company
6. has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Chairman

The ASX Corporate Governance Council Recommendations recommend that the chairperson be independent. Mr Baldwin is considered independent by the board under the guidelines as set out.

Appointment to the Board

The Board has appointed a Nomination and Remuneration Committee and established a Charter for this Committee which includes the identification and recommendation of potential director appointments. Where a casual vacancy arises during the year, the Committee has procedures to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective Board. Any director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next Annual General Meeting and is then eligible for re-election by the shareholders. Max Cowley, who was appointed to the board on 2 May 2006 under Clause 56 of the Constitution, is standing for election at the 2006 Annual General Meeting.

New directors receive a letter of appointment which sets out the terms of their appointment. On appointment, an induction program is available to directors that include visits to key business units of the Company and one-on-one sessions with members of the senior management team.

Ethical Business Practices

The Company has adopted a Code of Conduct and is committed to being a socially responsible corporate citizen, using honest and fair business practices, to act in the best interests of clients so as to achieve the best outcome for shareholders.

The Board has procedures in place for reporting any matters that may give rise to conflict between the interests of a director and those of the Company. These procedures are reviewed as required by the Board. To this end, the Company has adopted a Conflict of Interest Policy that clarifies the processes for directors to determine and disclose when a conflict of interest exists.

Shareholding and Trading

The Board encourages directors to own shares in the Company to further link their interests with the interests of all shareholders. Trading of shares by directors is prohibited under certain circumstances and as described in the ASX Listing Rules and during certain periods of the financial year. A director must not deal in the Company shares at any time when he or she has unpublished information which, if generally available, might affect the share price. Directors are required to notify the Company Secretary prior to dealing.

Safeguard Integrity

The Board has established an Audit Committee comprised of the four non-executive directors. This committee operates under a charter to enable it to perform its role and responsibilities. Where considered appropriate, the Company's external auditors and the Company's management are invited to attend meetings. The Members of the Audit Committee are:

Paul Teisseire (chair), Max Cowley, Michael Givoni and Brian Baldwin.

The role of the Audit Committee is to assist the Board fulfill its responsibilities in relation to the identification of the areas of significant business risks and the monitoring of the following:

- Effective management of financial and other business risks;
- Reliable management reporting;
- Compliance with laws and regulations in respect to financial reporting;
- Maintenance of effective and efficient audits;
- Meeting with external auditors on a twice-yearly basis and informally as circumstances require; and
- Recommending to the Board the appointment, removal and remuneration of the external auditors, and review their terms of engagement, and the scope and quality of the audit.

The Audit Committee provides the Board with additional assurances regarding the reliability of financial information for inclusion in the financial statements.

Independent Advice

The Board recognises that in certain circumstances individual directors may need to seek independent professional advice, at the expense of the Company. Any advice so received will be made available to other directors.

Communication with Shareholders

The Board aims to ensure that shareholders, on behalf of whom they act, are informed of all major developments affecting the Company's activities and its state of affairs, including information necessary to assess the performance of the Directors.

Communication with shareholders is achieved through the distribution of the following information:

- The Annual Report distributed to all shareholders;
- The Half Yearly Report distributed to all shareholders;
- The Annual General Meeting and other meetings so called to obtain shareholder approval for Board action as appropriate;
- Announcements to the Australian Stock Exchange;
- Investor information through the Company's internet portal at www.bsa.com.au; and
- Stakeholders and interested parties can register on this site to receive our alert service to receive an email message advising of new announcements

The Company strives to ensure that company announcements via the ASX are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner.

Shareholders' Role

The shareholders of the Company are responsible for voting on the election of Directors at the Annual General Meeting in accordance with the constitution.

All Directors (other than the Managing Director) are subject to re-election by rotation, no later than every three years.

The Annual General Meeting also provides shareholders with the opportunity to express their views on matters concerning the Company and to vote on other items of business for resolution by shareholders.

The Company's auditor, BDO Chartered Accountants, makes available a partner of the firm (Mr David McLean or other), to be in attendance at the Annual General Meeting and available to answers shareholder questions.

Risk Management

The entire Board is responsible for overseeing the risk management function. The Company believes that it is crucial for all board members to be a part of the process and as such has not established a risk management committee as a subset of the full board.

The Board is responsible for ensuring the risks and opportunities are identified on a timely basis. To achieve this, the Board has implemented a risk system which allows for the monthly monitoring of identified risk areas and performance against the activities to minimise or control these identified risks.

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

- Implementation of Board approved operating plans and budgets;
- Board monitoring of progress against these budgets, including the monitoring of key performance indicators of both a financial and non financial nature; and
- The establishment of committees to report on specific risk as identified.

Internal Risk Management System Compliance

Management is accountable to the Managing Director to ensure that operating efficiency, effectiveness of risk management procedures, internal compliance control systems, controls and policies are all being monitored. The Board requires the managing director and chief financial officer to provide a statement confirming these procedures are being maintained.

Monitoring Performance

The Board and senior management monitor the performance of all Divisions through the preparation of monthly management accounts. The monthly management accounts are prepared using accrual accounting techniques and report each business unit's result as contribution after overhead allocation. These monthly management accounts are compared to monthly budgets, which have been set allowing for the seasonality of anticipated revenues and costs in each of the Divisions.

Each Division has key performance indicators and reports to identify revenue and sales performance on a timely basis at least each month. The identification of completed sales and the revenue earned and future trends in sales and revenue is a key driver of the success of the BSA Group.

The monitoring of the Company's performance by the Board and management assists in identifying the correct allocation of resources and staff to maximise the overall return to shareholders.

During the year the Board embarked on a performance review process including committees, managed by the Chairman of the Nomination and Remuneration Committee (REM) and the Chairman of the board.

Nomination and Remuneration

The Board has a Nomination and Remuneration Committee comprising four non-executive Directors.

The members of the Nomination and Remuneration Committee are:

Michael Givoni (chair), Brian Baldwin, Max Cowley and Paul Teisseire.

The role of the Nomination and Remuneration Committee is to identify and nominate new directors to the Board, determine the Company's remuneration plans, policies and practices, including compensation arrangements for the non-executive Directors, executive Directors, Managing Director and Officers. It is also responsible for considering general remuneration policies and practices, recruitment and termination policies and superannuation requirements.

There are no retirement schemes or retirement benefits other than statutory benefits for non-executive Directors.

Recommendation Checklist and Explanations for Departures from Best Practice Recommendations

During the Reporting Period, the Company has complied with each of the ten essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council (" ASX Principles and Recommendations "), other than in relation to the matters specified below.

Principle Ref	Recommendation		Reference	Comply / Departure	Notification of Departure	Explanation of Departure
	Ref	Description				
1	1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	'Corporate Governance Report' (CGR) "The Role of the Board and Management"	comply		
2	2.1	Majority of the Board should be independent	CGR "Directors' Independence"	departure	The Board does not have a majority of independent directors. The Board is comprised 50% independent directors accounting for three of the six directors. Details are shown in the Directors Report.	The reason for departure form this principle is one of practicality. The Board has focused on the overarching principal of having directors that add value to the business.
	2.2	Chairperson should be an independent	CGR "Chairman".	comply		
	2.3	The roles of chairperson and Managing Director should not be exercised by the same individual	Directors Report "Information on Directors"	comply		
	2.4	The Board should establish a Nomination Committee	CGR "Nomination and Remuneration"	comply		
	2.5	The following material should be included in the corporate governance section of the annual report:				
	–	Skill and experience of each director	Directors' Report "Information on Directors" and "Directors Experience"	comply		

Principle Ref	Recommendation		Reference	Comply / Departure	Notification of Departure	Explanation of Departure
	Ref	Description				
	–	The names of the directors considered by the board to constitute independent directors and the company's materiality thresholds	CGR "Directors in Office" Corporate Governance web page "Principle 1 Statement of Board and Management Functions"	comply		
	–	Statement of procedure to take independent advice at the Company's expense	CGR "Independent Advice" Corporate Governance web page "Principle 2 Resources available to the Board"	comply		
	–	The term of office held by each Director and their attendance record	Directors Report "Information on Directors" and "Meetings of Directors" in the Annual Report	comply		
	–	Explanation of departures from 2.1 – 2.5	Recommendation Checklist (refer above)			
		The following material should be available ideally from the Company's web site:				
	–	Description of procedures for the selection and appointment of new Directors	Corporate Governance web page "Principle 2 Policy and procedure for selection and appointment of Directors"	comply		
	–	The Charter of the nomination committee	Corporate Governance web page "Principle 2 Nomination and Remuneration Committee Charter"	comply		
	–	Nomination Committee's policy for the appointment of Directors	Corporate Governance web page "Principle 2 Policy and procedure for selection and appointment of Directors"	comply		
3	3.1	Establish a 'Code of Conduct' to guide the Managing Director, the Chief Financial Officer and key executives as to:	CGR "Ethical Business Practices" and Corporate Governance web page "Principle 3 Code of Conduct"	comply		
	3.1.1	The practices necessary to maintain confidence in the Company's integrity		comply		
	3.1.2	The responsibility and accountability of individuals for reporting and investigating reports on unethical behaviour		comply		
	3.2	Disclose the policy concerning trading in company securities by Directors, officers and employees	CGR "Shareholding and Trading" and Corporate Governance web page "Principle 3 Dealing in Company Securities by Directors and Employees"	comply		

Principle Ref	Recommendation		Reference	Comply / Departure	Notification of Departure	Explanation of Departure
	Ref	Description				
	3.3	The following material should be included in the Corporate Governance section of the Annual Report:				
		The following material should be available ideally from the Company's web site:		comply		
	–	Any applicable Code of Conduct or summary of its main provisions	Corporate Governance web page "Principle 3 Code of Conduct"	comply		
	–	The trading Policy or a summary of its main provisions	Corporate Governance web page "Principle 3 Share Trading Policy"	comply		
4	4.1	Require the Managing Director and chief financial officer to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.	Corporate Governance web page "Principle 4 Safeguard Integrity in Financial Reporting".	comply		
	4.2	The Board should establish an audit committee	CGR "Safeguard Integrity"; and Corporate Governance web page "Principle 4 Audit Committee Charter."	comply		
	4.3	Structure the audit committee so that it consists of:	CGR "Safeguard Integrity"; and Corporate Governance web page "Principle 4 Audit Committee Charter"	comply		
	–	Only non executive directors		comply		
	–	A majority of independent directors		comply		
	–	An independent chairperson, who is not chairperson of the board		comply		
	–	At least three members		comply		
	4.4	The audit committee should have a formal charter	CGR "Safeguard Integrity"; and Corporate Governance web page "Principle 4 Audit Committee Charter"	comply		
	4.5	The following material should be included in the corporate governance section of the annual report:	CGR "Safeguard Integrity"; and Directors Report "Meetings of Directors" in the Annual Report	comply		
	–	Details of names and qualifications of those appointed to the audit committee		comply		
	–	Number of meetings of the audit committee and the names of attendee		comply		
	–	Explanation of any departures from best practice recommendations 4.1, 4.2, 4.3, 4.4 or 4.5	Recommendation Checklist (refer above)	comply		

Principle Ref	Recommendation Ref	Description	Reference	Comply / Departure	Notification of Departure	Explanation of Departure
		The following material should be made publicly available, ideally on the company's website:				
	–	Audit committee charter	Corporate Governance web page "Principle 4 Audit Committee Charter"	comply		
	–	Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.	Corporate Governance web page "Principle 4 Procedure for Appointment and Rotation of External Auditor"	comply		
5	5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Corporate Governance web page "Principle 5 Continuous Disclosure and Communication"	comply		
	5.2	The following material should be included in the corporate governance section of the annual report:				
	–	Explanation of any departures from best practice recommendation 5.1 or 5.2.	Recommendation Checklist (refer above)	comply		
		The following material should be made publicly available, ideally on the company's website:				
	–	A summary of the policies and procedures designed to guide compliance with Listing Rule disclosure requirements.	Corporate Governance web page "Principle 5 Continuous Disclosure and Communication"	comply		
6	6.1	Design and disclose a communications strategy to promote effective communication with shareholders aand encourage effective participation at general meetings.	CGR "Communication with Shareholders".	comply		
	6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	CGR "Shareholders Role".	comply		
	6.3	The following material should be included in the corporate governance section of the annual report:				
	–	Explanation of any departures from best practice recommendation 6.1, 6.2 or 6.3.		comply		
		The following material should be made publicly available, ideally on the company's website:				
	–	A description of the arrangements the company has to promote communication with shareholders.	Corporate Governance web page "Principle 6 Shareholder Communication Strategy"	comply		
7	7.1	The board or appropriate board committee should establish policies on risk oversight and management.	CGR "Risk Management" and Corporate Governance web page "Principle 7 Risk Management"	Comply		

Principle Ref	Recommendation		Reference	Comply / Departure	Notification of Departure	Explanation of Departure
	Ref	Description				
	7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:	CGR "Internal Risk Management System Compliance" and Corporate Governance web page "Principle 7 Risk Management"	Comply		
	7.2.1	The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board		comply		
	7.2.2	The company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects		comply		
	7.3	The following material should be included in the corporate governance section of the annual report:				
	–	Explanation of any departures from best practice recommendation 7.1, 7.2 or 7.3.	Recommendation Checklist (refer above)	comply		
	–	The following material should be made publicly available, ideally on the company's website:				
	–	A description of the company's risk management policy and internal compliance and control system	Corporate Governance web page "Principle 7 Risk Management"			
8	8.1	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	CGR "Monitoring Performance" Corporate Governance web page "Principle 8 Performance Evaluation Policy"	comply		
		The following material should be included in the corporate governance section of the annual report:				
	–	Whether a performance evaluation for the board and its members has taken place in the reporting period and how it was conducted.	CGR "Monitoring Performance"	comply		
	–	Explanation of any departures from best practice recommendation 8.1	Recommendation Checklist (refer above)	comply		
		The following material should be made publicly available, ideally on the company's website:				
	–	A description of the process for performance evaluation of the board, its committees and individual directors and key executives.	Corporate Governance web page "Principle Performance Evaluation Policy"	comply		
9	9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.	CGR "Nomination and Remuneration" *Note 6 to the Financial Statements in the Annual Report.	comply		

Principle Ref	Recommendation		Reference	Comply / Departure	Notification of Departure	Explanation of Departure
	Ref	Description				
	9.2	The board should establish a remuneration committee.	CGR "Nomination and Remuneration".	comply		
	9.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	CGR "Remuneration of Directors" and "Retirement plan for Non Executive Directors". *Note 6 to the Financial Statements in the Annual Report.	comply		
	9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Directors Report "Share Holding" in the Annual Report Note 6 to the Financial Statements in the Annual Report.	comply		
	9.5	The following material should be included in the corporate governance section of the annual report:				
	–	Disclosure of the company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1	Corporate Governance web page "Principle 9 Remuneration Committee and Policy"	comply		
	–	The names of the members of the remuneration committee and their attendance at meetings of the committee	CGR "Nomination and Remuneration"; and Directors Report "Meetings of Directors" in the Annual Report	comply		
	–	The existence and terms of any schemes for retirement benefits other than statutory superannuation, for non-executive directors	CGR "Nomination and Remuneration"	comply		
		Explanation of any departures from best practice recommendation 9.1, 9.2, 9.3, 9.4, or 9.5		comply		
		The following material should be made publicly available, ideally on the company's website:				
		The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.	Corporate Governance web page "Principle 9 Remuneration Committee and Policy"	comply		
10	10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.	CGR Code of Conduct Corporate Governance web page "Principle 10 Code of Conduct Policy"	comply		
		The following material should be included in the corporate governance section of the annual report:				
	–	Explanation of any departures from best practice recommendation 10.1		comply		
		The following material should be made publicly available, ideally on the company's website:				
	–	Any applicable code of conduct or a summary of its main provisions.	Corporate Governance web page "Principle 10 Code of Conduct Policy"	comply		

AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration Under Section 307c of the Corporations Act 2001 to the Directors of Broadcast Services Australia Limited

To the best of my knowledge and belief, during the year ended 30 June 2006, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

D S McLean,
Partner

BDO
Chartered Accountants
Dated Sydney, this 26th day of September 2006

FINANCIAL REPORT

BROADCAST SERVICES AUSTRALIA LIMITED
ABN 50 088 412 748
AND SUBSIDIARIES

Financial Report

Contents

Income Statement

for the Year Ended 30 June 2006

		Consolidated		Parent Entity	
		2006	2005	2006	2005
	Note	$'000	$'000	$'000	$'000
Revenue	3	130,564	118,874	130,564	118,874
Other income	3	54	230	54	230
Changes in inventories of finished goods and work in progress		(396)	195	(396)	195
Raw materials and consumables used		(101,280)	(93,159)	(101,280)	(93,159)
Employee benefits expense		(16,006)	(14,001)	(16,006)	(14,001)
Depreciation and amortisation expenses	4	(1,236)	(1,003)	(1,236)	(1,003)
Impairment of intangibles	4	(1,500)	-	-	-
Occupancy expenses		(1,034)	(908)	(1,034)	(908)
Finance Costs	4	(222)	(168)	(222)	(168)
Other expenses		(7,321)	(7,084)	(7,321)	(7,303)
Net write off of investments and loans to subsidiaries		-	-	-	(7,818)
Profit/(loss) before income tax expense		1,623	2,976	3,123	(5,061)
Income tax expense	5	(921)	(1,007)	(921)	(1,007)
Profit/(loss) for the year		702	1,969	2,202	(6,068)
Profit/(loss) attributable to members of the parent entity		702	1,969	2,202	(6,068)
Earnings per share for profit from continuing operations:					
Basic earnings per share	9	0.40 cents	1.03 cents		
Diluted earnings per share	9	0.40 cents	1.02 cents		

The accompanying notes form part of the above income statement

Balance Sheet

as at 30 June 2006

		Consolidated		Parent Entity	
		2006	2005	2006	2005
	Note	$'000	$'000	$'000	$'000
CURRENT ASSETS					
Cash and cash equivalents	10	413	1,932	413	1,932
Trade and other receivables	11	21,387	17,678	21,387	17,678
Inventories	12	3,099	2,703	3,099	2,703
TOTAL CURRENT ASSETS		24,899	22,313	24,899	22,313
NON-CURRENT ASSETS					
Trade and other receivables	11	1,263	305	1,263	305
Property, plant & equipment	13	3,218	2,978	3,218	2,978
Deferred tax assets	14 (b)	825	528	825	528
Intangible assets	15	11,490	12,990	1,543	1,543
Other financial assets	16	-	-	-	-
TOTAL NON-CURRENT ASSETS		16,796	16,801	6,849	5,354
TOTAL ASSETS		41,695	39,114	31,748	27,667
CURRENT LIABILITIES					
Trade and other payables	17	10,976	10,108	10,976	10,108
Borrowings	18	1,848	1,742	1,848	1,742
Current tax liabilities	14 (a)	245	208	245	208
TOTAL CURRENT LIABILITIES		13,069	12,058	13,069	12,058
NON-CURRENT LIABILITIES					
Borrowings	18	804	771	804	771
Deferred tax liabilities	14 (a)	77	57	77	57
Provisions	19	320	247	320	247
TOTAL NON-CURRENT LIABILITIES		1,201	1,075	1,201	1,075
TOTAL LIABILITIES		14,270	13,133	14,270	13,133
NET ASSETS		27,425	25,981	17,478	14,534
EQUITY					
Contributed equity	20	47,601	46,563	47,601	46,563
Reserves	21 (a)	945	488	945	488
Accumulated losses	21 (b)	(21,121)	(21,070)	(31,068)	(32,517)
TOTAL EQUITY		27,425	25,981	17,478	14,534

The accompanying notes form part of the above balance sheet

Statement of Changes in Equity

for the Year Ended 30 June 2006

Consolidated	Issued capital	Accumulated losses	Share-based payment reserve	Total	Minority interest	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2004	51,877	(23,039)	-	28,838	122	28,960
Profit attributable to members of parent entity	-	1,969	-	1,969	-	1,969
Profit attributable to minority shareholders	-	-	-	-	(122)	(122)
Shares issued during period	1,435	-	-	1,435	-	1,435
Adjustment for financial effect of shares issued in respect of the purchase of BSA Pty Limited, subsequently cancelled on 6 January 2006	(6,749)	-	-	(6,749)	-	(6,749)
Share-based payment expense	-	-	488	488	-	488
Balance at 30 June 2005	46,563	(21,070)	488	25,981	-	25,981
Profit attributable to members of parent entity	-	702	-	702	-	702
Shares issued during period	1,038	-	-	1,038	-	1,038
Share-based payment expense	-	-	457	457	-	457
Dividends paid	-	(753)	-	(753)	-	(753)
Balance at 30 June 2006	47,601	(21,121)	945	27,425	-	27,425

Parent Entity	Issued capital	Accumulated losses	Share-based payment reserve	Total equity
	$'000	$'000	$'000	$'000
Balance at 1 July 2004	51,877	(26,449)	-	25,428
Loss attributable to members of parent entity	-	(6,068)	-	(6,068)
Shares issued during period	1,435	-	-	1,435
Adjustment for financial effect of shares issued in respect of the purchase of BSA Pty Limited, subsequently cancelled on 6 January 2006	(6,749)	-	-	(6,749)
Share-based payment expense	-	-	488	488
Balance at 30 June 2005	46,563	(32,517)	488	14,534
Profit attributable to members of parent entity	-	2,202	-	2,202
Shares issued during period	1,038	-	-	1,038
Share-based payment expense	-	-	457	457
Dividends paid	-	(753)	-	(753)
Balance at 30 June 2006	47,601	(31,068)	945	17,478

The accompanying notes form part of the above statement of changes in equity

Statement of Cash Flows

for the Year Ended 30 June 2006

		Consolidated		Parent Entity	
		2006	2005	2006	2005
	Note	$'000	$'000	$'000	$'000
Cash flows From Operating Activities:					
Cash receipts from customers		133,461	118,088	133,461	118,088
Cash paid to suppliers and employees		(130,379)	(112,056)	(130,379)	(112,056)
Interest received		43	34	43	34
Interest and other costs of finance paid		(222)	(168)	(222)	(168)
Other taxes paid		(1,858)	(2,211)	(1,858)	(2,211)
Income tax refund		72	-	72	-
Income tax paid		(1,317)	(2,578)	(1,317)	(2,578)
Net cash (used in) provided by operating activities	25 (a)	(200)	1,109	(200)	1,109
Cash flows from Investing Activities:					
Proceeds – sale of property, plant and equipment		20	26	20	26
Payment for property, plant and equipment		(1,108)	(630)	(1,108)	(630)
Proceeds from sale of investment		-	145	-	145
Net cash used in investing activities		(1,088)	(459)	(1,088)	(459)
Cash flows From Financing Activities:					
Proceeds from issue of shares		50	1,350	50	1,350
Funds transferred to wholly-owned entities		-	-	-	(527)
Proceeds of borrowings		1,570	-	1,570	-
Share issue costs paid		(12)	(10)	(12)	(10)
Dividends paid		(560)	-	(560)	-
Net cash provided by financing activities		1,048	1,340	1,048	813
Net (decrease) increase in cash		(240)	1,990	(240)	1,463
Cash at the beginning of the financial period		652	(1,338)	652	(811)
Cash at the end of the financial period	10	412	652	412	652

The accompanying notes form part of the above statement of cash flows

Note 1: Summary of Significant Accounting Policies.

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

(a) Basis of preparation

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

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the consolidated financial statements and notes of Broadcast Services Australia Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132 Financial Intruments: Presentation and Disclosure.

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

These financial statements are the first Broadcast Services Australia Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Broadcast Services Australia Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Broadcast Services Australia Limited 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 2.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Principles of Consolidation

Subsidiaries

"The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Broadcast Services Australia Limited (""company"" or ""parent entity"") as at 30 June 2006 and the results of all subsidiaries for the year then ended. Broadcast Services Australia Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries of the Group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment Reporting

A business segment is a group af assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

(a) Contracting

Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

(b) Sale of equipment

A sale is recorded when goods have been despatched to a customer pursuant to a sales order and the associated risks of ownership have passed to the carrier or customer.

(f) Income tax

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

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted. Exceptions are made for certain temporary differences arising on initial recognition of an asset or liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not effect either accounting profit or taxable profit.

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

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

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

Broadcast Services Australia Limited and its wholly-owned subsidiaries have implemented the tax consolidation legislation for the whole of the financial year. Broadcast Services Australia Limited is the head entity in the tax consolidated group. The stand-alone taxpayer/separate taxpayer within a group approach has been used to allocate current income tax expense and deferred tax balances to wholly-owned subsidiaries that form part of the tax consolidated group. Broadcast Services Australia Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole financial year.

(g) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

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

(h) Acquisitions of assets

The purchase method of accounting is used for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

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

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within interest-bearing liabilities in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised and carried at original invoice amount less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying value amount and the present value of estimated cash flows. The amount of the provision is recognised in the income statement.

(l) Inventories

Raw materials and stores and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average cost. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Plant & Equipment	10 - 33%
- Leased Plant & Equipment	18 - 22%
- Leasehold Improvements	7 - 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note1(i)).

(n) Intangible assets

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

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

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically or commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit.

(o) Trade and other payables

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

(p) Employee benefits

(i) Wages and salaries, annual leave and sick leave

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

(ii) Long Service Leave

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

(iii) Superannuation

A liability in respect of the superannuation guarantee contribution to be transferred to employees' superannuation funds is recognised in accrued employee benefits. The contributions made to superannuation funds by the consolidated entity are charged against profits.

(iv) Share-based payments

Share - based compensation benefits are provided to employees on a discretionary basis.

Share options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options granted after 7 November 2002 and vested after 1 January 2005

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

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

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital The market value of shares issued to employees for no cash consideration under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity when the employees become entitled to the shares.

(v) Profit sharing and bonus plans

The Group recognises a liability and an expense where contractually obliged or where there is a past practice that has created a constructive obligation.

(q) 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 from the proceeds.

Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-year.

(ii) Diluted earnings per share

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

(s) Rounding of amounts

The consolidated entity has applied the relief available under ASIC Class Order 98/0100 and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars or in certain cases to the nearest dollar.

(t) Interest bearing liabilities

Loans are carried at their principal amount. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(v) Comparative information

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial period.

(w) Revenue disclosures in relation to the sale of non-current assets

The revenue recognised in relation to the sale of non-current assets is the net gain on the sale.

(x) Borrowing costs

Borrowing costs are expensed when incurred.

(y) Accounting standards issued but not yet effective

At the date of this financial report, there are no accounting standards which have been issued which are not yet effective which could impact the financial report of the company.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the finanacial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates - Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Impairment of $1,500,000 has been recognised in respect of goodwill relating to the Transmission Solutions business for the year ended 30 June 2006.

	Note	Previous GAAP at 1 July 2004 $'000	Adjustment $'000	Australian Equivalents to IFRS at 1 July 2004 $'000
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards				
Consolidated				
Reconciliation of Equity at 1 July 2004				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		290	-	290
Trade and other receivables		19,510	-	19,510
Inventories		2,898	-	2,898
TOTAL CURRENT ASSETS		22,698	-	22,698
NON-CURRENT ASSETS				
Trade and other receivables		295	-	295
Property, plant & equipment		3,013	-	3,013
Deferred tax assets		460	-	460
Intangible assets	2(d)	19,893	(35)	19,858
TOTAL NON-CURRENT ASSETS		23,661	(35)	23,626
TOTAL ASSETS		46,359	(35)	46,324
CURRENT LIABILITIES				
Trade and other payables		11,853	-	11,853
Short-term borrowings		1,999	-	1,999
Current tax liabilities		1,755	-	1,755
Short-term provisions		691	-	691
TOTAL CURRENT LIABILITIES		16,298	-	16,298
NON-CURRENT LIABILITIES				
Long-term borrowings		833	-	833
Deferred tax liabilities		19	-	19
Long-term provisions		214	-	214
TOTAL NON-CURRENT LIABILITIES		1,066	-	1,066
TOTAL LIABILITIES		17,364	-	17,364
NET ASSETS		28,995	(35)	28,960
EQUITY				
Issued capital		51,877	-	51,877
Accumulated losses	2(d)	(23,004)	(35)	(23,039)
Parent interest		28,873	(35)	28,838
Minority interest		122		122
TOTAL EQUITY		28,995	(35)	28,960

	Note	Previous GAAP at 30 June 2005 $'000	Adjustment $'000	Australian Equivalents to IFRS at 30 June 2005 $'000
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards				
Consolidated				
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,932	-	1,932
Trade and other receivables		17,678	-	17,678
Inventories		2,703	-	2,703
TOTAL CURRENT ASSETS		22,313	-	22,313
NON-CURRENT ASSETS				
Trade and other receivables		305	-	305
Property, plant & equipment		2,978	-	2,978
Deferred tax assets		528	-	528
Intangible assets	2(f)	11,707	1,283	12,990
TOTAL NON-CURRENT ASSETS		15,518	1,283	16,801
TOTAL ASSETS		37,831	1,283	39,114
CURRENT LIABILITIES				
Trade and other payables		9,215	-	9,215
Short-term borrowings		1,742	-	1,742
Current tax liabilities		208	-	208
Short-term provisions		893	-	893
TOTAL CURRENT LIABILITIES		12,058	-	12,058
NON-CURRENT LIABILITIES				
Long-term borrowings		771	-	771
Deferred tax liabilities		57	-	57
Long-term provisions		247	-	247
TOTAL NON-CURRENT LIABILITIES		1,075	-	1,075
TOTAL LIABILITIES		13,133	-	13,133
NET ASSETS		24,698	1,283	25,981
EQUITY				
Issued capital		46,563	-	46,563
Reserves	2(c)	-	488	488
Accumulated losses	2(e)	(21,865)	795	(21,070)
TOTAL EQUITY		24,698	1,283	25,981

Notes to the Financial Statements
for the Year Ended 30 June 2006

	Previous GAAP at 1 July 2004	Adjustment	Australian Equivalents to IFRS at 1 July 2004
	$'000	$'000	$'000
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)			
Parent Entity			
Reconciliation of Equity at 1 July 2004			
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	170	-	170
Trade and other receivables	13,925	-	13,925
Inventories	1,422	-	1,422
TOTAL CURRENT ASSETS	15,517	-	15,517
NON-CURRENT ASSETS			
Trade and other receivables	-	-	-
Other financial assets	22,504		22,504
Property, plant & equipment	1,445	-	1,445
Deferred tax assets	246	-	246
Intangible assets	1,543	-	1,543
TOTAL NON-CURRENT ASSETS	25,738	-	25,738
TOTAL ASSETS	41,255	-	41,255
CURRENT LIABILITIES			
Trade and other payables	13,154	-	13,154
Short-term borrowings	1,124	-	1,124
Current tax liabilities	692	-	692
Short-term provisions	376	-	376
TOTAL CURRENT LIABILITIES	15,346	-	15,346
NON-CURRENT LIABILITIES			
Long-term borrowings	398	-	398
Deferred tax liabilities	-	-	-
Long-term provisions	83	-	83
TOTAL NON-CURRENT LIABILITIES	481	-	481
TOTAL LIABILITIES	15,827	-	15,827
NET ASSETS	25,428	-	25,428
EQUITY			
Issued capital	51,877	-	51,877
Accumulated losses	(26,449)	-	(26,449)
TOTAL EQUITY	25,428	-	25,428

Notes to the Financial Statements

for the Year Ended 30 June 2006

	Note	Previous GAAP at 30 June 2005 $'000	Adjustment $'000	Australian Equivalents to IFRS 30 June 2005 $'000
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)				
Parent Entity				
Reconciliation of Equity at 30 June 2005				
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,932	-	1,932
Trade and other receivables		17,678	-	17,678
Inventories		2,703	-	2,703
TOTAL CURRENT ASSETS		22,313	-	22,313
NON-CURRENT ASSETS				
Trade and other receivables		305	-	305
Property, plant & equipment		2,978	-	2,978
Deferred tax assets		528	-	528
Intangible assets	2(e)	1,074	469	1,543
TOTAL NON-CURRENT ASSETS		4,885	469	5,354
TOTAL ASSETS		27,198	469	27,667
CURRENT LIABILITIES				
Trade and other payables		9,215	-	9,215
Short-term borrowings		1,742	-	1,742
Current tax liabilities		208	-	208
Short-term provisions		893	-	893
TOTAL CURRENT LIABILITIES		12,058	-	12,058
NON-CURRENT LIABILITIES				
Long-term borrowings		771	-	771
Deferred tax liabilities		57	-	57
Long-term provisions		247	-	247
TOTAL NON-CURRENT LIABILITIES		1,075	-	1,075
TOTAL LIABILITIES		13,133	-	13,133
NET ASSETS		14,065	469	14,534
EQUITY				
Issued capital		46,563	-	46,563
Reserves	2(c)	-	488	488
Accumulated losses	2(e)	(32,498)	(19)	(32,517)
TOTAL EQUITY		14,065	469	14,534

	Note	Previous GAAP $'000	Effect of Transition to Australian Equivalents to IFRS $'000	Australian Equivalents to IFRS $'000
Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)				
Consolidated				
Reconciliation of Profit for 2005				
Revenue		118,874	-	118,874
Other revenue	2(g)	205	25	230
		119,079	25	119,104
Changes in inventories of finished goods and work in progress		195	-	195
Raw materials and consumables used	2(g)	(93,099)	(60)	(93,159)
Employee benefits expense	2(c)	(13,513)	(488)	(14,001)
Depreciation and amortisation expenses	2(a)	(2,321)	1,318	(1,003)
Occupancy expenses		(908)	-	(908)
Borrowing cost expenses		(168)	-	(168)
Other expenses	2(g)	(7,119)	35	(7,084)
Profit before income tax expense	2(e)	2,146	830	2,976
Income tax expense		(1,007)	-	(1,007)
Profit after income tax expense		1,139	830	1,969
Net profit attributable to members of the parent entity		1,139	830	1,969
Parent Entity				
Reconciliation of Loss for 2005				
Revenue		118,874	-	118,874
Other revenue	2(g)	205	25	230
		119,079	25	119,104
Changes in inventories of finished goods and work in progress		195	-	195
Raw materials and consumables used	2(g)	(93,099)	(60)	(93,159)
Employee benefits expense	2(c)	(13,513)	(488)	(14,001)
Depreciation and amortisation expenses	2(a)	(1,472)	469	(1,003)
Occupancy expenses		(908)	-	(908)
Borrowing cost expenses		(168)	-	(168)
Other expenses	2(g)	(7,338)	35	(7,303)
Net write off of investments and loans to subsidiaries		(7,818)	-	(7,818)
Loss before income tax expense	2(e)	(5,042)	(19)	(5,061)
Income tax expense		(1,007)	-	(1,007)
Loss after income tax expense		(6,049)	(19)	(6,068)
Net loss after income tax expense		(6,049)	(19)	(6,068)
Net loss attributable to members of the parent entity		(6,049)	(19)	(6,068)

		30 June 2005	1 July 2004
		$'000	$'000

Note 2: First-time Adoption of Australian Equivalents to International Financial Reporting Standards (cont'd)

Notes to the reconciliations of equity and profit and loss at 1 July 2004 and 30 June 2005

(a) Goodwill amounting to $1,318,000 for the Economic Entity and $469,000 for the Parent Entity previously amortised in the 2005 financial year has been reversed in the income statement for 30 June 2005.

(b) The adjustment to employee benefits expense is made up as follows:

		30 June 2005 $'000	1 July 2004 $'000
Consolidated Entity			
Option expense	(i)	488	-
Parent Entity			
Option expense	(i)	488	-

(i) An expense was recognised under Australian equivalents to IFRS relating to the bonus elements of options issued to directors and employees of the economic entity amounting to $488,000 for the year ended 30 June 2005.

(c) Adjustment to reserves comprise:

	30 June 2005 $'000	1 July 2004 $'000
Consolidated Entity		
Option reserve of valuation of employee share options	488	-
Parent Entity		
Option reserve of valuation of employee share options	488	-

(d) An impairment loss amounting to $35,000 has been recognised under the Australian equivalents to IFRS to goodwill which has been written down to its recoverable amount.

(e) Adjustments to retained earnings comprise:

	30 June 2005 $'000	1 July 2004 $'000
Consolidated Entity		
Reversal of goodwill previously amortised	1,318	-
Expensing of employee share options	(488)	-
	830	-
Parent Entity		
Reversal of goodwill previously amortised	469	-
Expensing of employee share options	(488)	-
	(19)	-

(f) Adjustments to intangible assets comprise:

	30 June 2005 $'000	1 July 2004 $'000
Consolidated Entity		
Reversal of goodwill previously amortised	1,318	-
Impairment of goodwill	(35)	-
	1,283	-

(g) Reclassifications have been made to the income statement for the year ended 2005 as follows:

(i) Under Australian equivalents to IFRS, the sale of non-current assets must be reflected as a gain or loss on sale and not separately split between proceeds and costs of disposal.

(ii) Under Australian equvalents to IFRS, foregin exchange gains are classified as other income and not as a reduction to cost of sales.

Notes to the Financial Statements
for the Year Ended 30 June 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Notes 3: Revenue				
From continuing operations:				
Sales revenue				
Sale of goods	13,532	13,959	13,532	13,959
Service revenue	117,032	104,915	117,032	104,915
Total Revenue	130,564	118,874	130,564	118,874
Other income:				
Interest - other persons	43	34	43	34
Foreign exchange gains	10	60	10	60
Net gain on disposal of non-current assets	1	136	1	136
Other Income	54	230	54	230

Notes to the Financial Statements

for the Year Ended 30 June 2006

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 4: Expenses				
Profit/(loss) before income tax expense includes the following specific expenses:				
Finance Costs				
Interest paid/payable to:				
Other interest and finance charges	222	168	222	168
Total finance costs	222	168	222	168
Depreciation of non-current assets				
- plant and equipment	796	720	796	720
Total depreciation	796	720	796	720
Amortisation of non-current assets				
- plant and equipment under finance leases	240	209	240	209
- leasehold improvements	200	74	200	74
Total amortisation	440	283	440	283
Total depreciation and amortisation	1,236	1,003	1,236	1,003
Net bad and doubtful debts expense - trade debtors	26	212	26	212
Net loss on disposal of assets:				
- property, plant and equipment	1	9	1	9
Rental expense on operating leases	778	785	778	785
Defined contribution expense - superannuation	1,463	1,153	1,463	1,153
Significant Items				
The following significant expenses are relevant in explaining the financial performance:				
Net write off of investments and loans to subsidiaries	-	-	-	7,818
One off expense for completing the BSA Pty Ltd transaction	324	-	324	-
Share-based payments expense	457	488	457	488
Impairment of goodwill	1,500	-	-	-
Write down of inventories to net realisable value	830	418	830	418

Notes to the Financial Statements

for the Year Ended 30 June 2006

		Consolidated			Parent Entity
		2006	2005	2006	2005
		$'000	$'000	$'000	$'000
Note 5: Income tax expense					
(a)	The components of tax expense comprise:				
	Current tax	1,279	1,122	1,279	1,122
	Deferred tax	(277)	(30)	(277)	(30)
	Over provision in respect of prior years	(81)	(85)	(81)	(85)
		921	1,007	921	1,007
(b)	The prima facie tax on the profit/(loss) before income tax is reconciled to the income tax expense in the accounts as follows:				
	Prima facie tax payable/(benefit) on profit/(loss) before income tax calculated @ 30% (2005: 30%)				
	- consolidated entity	487	893	-	-
	- parent entity	-	-	937	(1,518)
		487	893	937	(1,518)
	Add:				
	Tax effect of:				
	- Impairment write-down of goodwill	450	-	-	-
	- share options expensed during year	137	146	137	146
	Write off of investments and loan to subsidiaries	-	-	-	2,345
	- under/(over) provision for income tax in prior year	(81)	(85)	(81)	(85)
	- other tax refunds	(72)	-	(72)	-
	- other non deductible expenses	-	53	-	119
		434	114	(16)	2,525
	Income tax expense attributable to profit/(loss) before income tax	921	1,007	921	1,007
	The applicable weighted average effective tax rates are as follows:	57%	34%	29%	(20%)

The increase in the weighted average effective consolidated tax rate for 2006 is a result of the impairment of the goodwill relating to the Transmission Solutions business.

Tax consolidation legislation

Broadcast Services Australia Limited and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The accounting policy on implementation of the legislation is set out in note 1 (f).

Note 6: Key Management Personnel Compensation

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

Key Management Personnel		
Brian Baldwin	Chairman - Non-executive	
Mark Foley	Managing Director - Executive	
Daniel Lipshut	Director - Executive	
Paul Teisseire	Director - Non-executive	
Michael Givoni	Director - Non-executive	
Max Cowley	Director - Non-executive	Appointed 2 May 2006
Brendan Foley	General Manager Contracting Services	
Ray Larkin	General Manager Telecommunication Services	
Leaston Paull	General Manager Subscription TV (Foxtel)	
Barbra Godfrey	General Manager Subscription TV (Austar)	
Bryce Wood	Chief Financial Officer	Acting from 1 February 2006. Appointed 6 July 2006
Shaun Rafferty	General Manager Transmission Solutions	Appointed 1 September 2005
Ian McGregor	Chief Financial Officer and Company Secretary	Resigned 31 January 2006
John Chellingworth	General Manager Transmission Solutions	Resigned 9 September 2005
Vaughan Clark	General Manager Home Services	Resigned 12 May 2006

(b) Key Management Personnel Compensation

2006

Key Management Person	Short-term Benefits				Post Employment
	Cash, Salary & Commissions	Cash Profit Share	Non-cash Benefit	Other	Superannuation
	$	$	$	$	$
Brian Baldwin	64,000	-	-	-	6,000
Mark Foley	357,836	-	-	-	32,543
Daniel Lipshut	309,307	-	-	-	20,308
Paul Teisseire	50,000	-	-	-	5,000
Michael Givoni	50,000	-	-	-	5,000
Max Cowley	9,703	-	-	-	873
Brendan Foley	215,309	43,800	-	-	18,361
Ray Larkin	129,731	46,000	-	-	10,824
Leaston Paull	129,360	38,000	-	-	10,529
Barbra Godfrey	100,532	9,000	-	-	8,483
Bryce Wood	152,073	-	-	-	12,893
Shaun Rafferty	152,913	-	-	-	10,619
Ian McGregor	79,683	-	-	240,875	16,513
John Chellingworth	79,350	-	-	-	4,583
Vaughan Clark	150,463	-	-	-	12,698
	2,030,260	136,800	-	240,875	175,227

Notes to the Financial Statements

for the Year Ended 30 June 2006

2006 (cont'd)

Key Management Person	Other Long-term Benefits	Share-based Payment Equity	Share-based Payment Options	Total	Performance Related
	$	$	$	$	%
Brian Baldwin	-	-	-	70,000	-
Mark Foley	-	-	200,411	590,790	-
Daniel Lipshut	-	-	200,411	530,026	-
Paul Teisseire	-	-	-	55,000	-
Michael Givoni	-	-	-	55,000	-
Max Cowley	-	-	-	10,576	-
Brendan Foley	-	-	11,123	288,593	15.2
Ray Larkin	-	-	11,123	197,678	23.3
Leaston Paull	-	-	-	177,889	21.4
Barbra Godfrey	-	-	-	118,015	7.6
Bryce Wood	-	-	-	164,966	-
Shaun Rafferty	-	-	-	163,532	-
Ian McGregor	-	-	33,418	370,489	-
John Chellingworth	-	-	-	83,933	-
Vaughan Clark	-	-	-	163,161	-
	-	-	456,486	3,039,648	

Employment contracts of key management personnel

The employment conditions of the managing director, Mr Foley, and the executive director, Mr Lipshut, and other executives are formalised in contracts of employment. Other than the managing and executive directors, all executives are permanent employees of Broadcast Services Australia Limited. Mr Foley is employed under a fixed three year contract, which commenced on 1 October 2005 and expires on 30 September 2008. Mr Lipshut is employed under a fixed two year contract, which commenced on 1 October 2005 and expires on 30 September 2007.

The employment contracts stipulate a range of three to six months resignation periods. The company may terminate an employment contract without cause by providing 12 months written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time and any loans are to be immediately repaid and all entitlements to awards in relation to incomplete cycles will be forfeited.

2005

Key Management Person	Short-term Benefits: Cash, Salary & Commissions	Short-term Benefits: Cash Profit Share	Short-term Benefits: Non-cash Benefit	Short-term Benefits: Other	Post Employment: Superannuation
	$	$	$	$	$
Brian Baldwin	36,400	-	-	-	3,600
Mark Foley	245,778	-	-	-	17,363
Daniel Lipshut	263,384	-	-	-	25,096
Paul Teisseire	9,100	-	-	-	900
Michael Givoni	9,100	-	-	-	900
Brett Crowley	20,833	-	-	-	1,875
Greg Mullane	12,500	-	-	-	-
Richard Alston	21,233	-	-	-	2,100
Brendan Foley	178,896	50,000	-	-	20,601
Ray Larkin	130,716	20,000	-	-	12,115
Leaston Paull	93,808	13,750	-	-	8,681
Barbra Godfrey	70,111	7,750	-	-	6,529
Bryce Wood	141,116	4,800	-	-	13,132
Ian McGregor	186,667	40,000	-	-	22,000
John Chellingworth	157,167	-	-	-	12,635
Vaughan Clark	151,090	4,500	-	-	14,003
	1,727,899	140,800	-	-	161,530

Notes to the Financial Statements

for the Year Ended 30 June 2006

Key Management Person	Other Long-term Benefits	Share-based Payment Equity	Share-based Payment Options	Total	Performance Related
2005 (cont'd)					
	$	$	$	$	%
Brian Baldwin	-	-	-	40,000	-
Mark Foley	-	-	164,169	427,310	-
Daniel Lipshut	-	-	164,169	452,649	-
Paul Teisseire	-	-	-	10,000	-
Michael Givoni	-	-	-	10,000	-
Brett Crowley	-	-	33,308	56,016	
Greg Mullane	-	-	-	12,500	
Richard Alston	-	-	-	23,333	
Brendan Foley	-	-	12,684	262,181	19.1
Ray Larkin	-	-	12,684	175,515	11.4
Leaston Paull	-	-	-	116,239	11.8
Barbra Godfrey	-	-	-	84,390	9.2
Bryce Wood	-	-	-	159,048	-
Ian McGregor	-	-	59,378	308,045	-
John Chellingworth	-	-	-	169,802	-
Vaughan Clark	-	-	-	169,593	-
	-	-	446,392	2,476,621	

(c) Compensation Options

There were no options granted as compensation to Key Management Personnel during the year.

(d) Options and Rights Holdings

Number of Options Held by Specified Directors and Executives

	Balance 1.7.2005	Granted as remu-neration	Options Exercised	Net Change Other	Balance 30.6.2006	Total Vested 30.6.2006	Total Exercisable 30.6.2006	Total Unexercis-able 30.6.2006
Mark Foley	3,000,000	-	-	-	3,000,000	1,000,000	1,000,000	2,000,000
Daniel Lipshut	3,000,000	-	-	-	3,000,000	1,000,000	1,000,000	2,000,000
Brendan Foley	300,000	-	-	-	300,000	200,000	200,000	100,000
Ray Larkin	300,000	-	-	-	300,000	200,000	200,000	100,000
Ian McGregor	1,000,000	-	-	-	1,000,000	666,667	666,667	333,333
	7,600,000	-	-	-	7,600,000	3,066,667	3,066,667	4,533,333

(e) Executive Securities Plan

	Opening Balance	Balance at End of Year	Interest Charged	Interest Not Charged	Provision for Impairment	Number of Individuals
	$	$	$	$	$	
Specified directors						
2006	806,617	832,890	26,273	-	-	1
2005	-	-	-	-	-	-

Individuals with loans above $100,000 in reporting period

	Opening Balance	Interest Charged using effective interest rate method	Interest Not Charged	Balance 30.6.06	Highest Balance During Period
	$	$	$	$	$
Mark Foley	806,617	26,273	-	832,890	832,890

The above loan to Mark Foley represents an unsecured loan to purchase shares in Broadcast Services Australia Limited which was passed at a meeting of members held on 12 December 2005. On 12 January 2006, 4,000,000 ordinary shares were issued at 24.4 cents per share. The shares are in escrow for the period of the loan. The loan is repayable on 11 January 2009 and does not bear interest and has been booked in the accounts at net present value. The loan has been accounted for using the effective interest rate method.

(f) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1.7.05	Received as Remuneration	Options Exercised	Net Change Other *	Balance 30.6.06
Ordinary Shares					
Parent Entity Directors					
Brian Baldwin	48,549	-	-	3,053,275	3,101,824
Mark Foley	4,131,607	-	-	-	4,131,607
Daniel Lipshut	148,648	-	-	-	148,648
Paul Teisseire	-	-	-	-	-
Michael Givoni	100,000	-	-	-	100,000
Max Cowley [1]	23,059,548	-	-	7,184,452	30,244,000
Specified Executives					
Brendan Foley	8,429	-	-	-	8,429
Barbra Godfrey	-	-	-	-	-
Bryce Wood	-	-	-	50	50
Leaston Paull	-	-	-	-	-
Ray Larkin	-	-	-	-	-
Shaun Rafferty	-	-	-	-	-
Ian McGregor	-	-	-	-	-
John Chellingworth	-	-	-	-	-
Vaughan Clark [2]	206,000	-	-	-	206,000
Total	27,702,781	-	-	10,237,777	37,940,558
Ordinary Shares - Restricted					
Parent Entity Directors					
Brian Baldwin	18,387,975	-	-	(18,387,975)	-
Total	18,387,975	-	-	(18,387,975)	-

	Balance 1.7.05	Received as Remuneration	Options Exercised	Net Change Other *	Balance 30.6.06
Ordinary Shares - Escrowed					
Parent Entity Directors					
Mark Foley	2,617	4,000,000	-	-	4,002,617
Daniel Lipshut	2,617	-	-	-	2,617
Specified Executives					
Brendan Foley	2,617	-	-	-	2,617
Barbra Godfrey	2,617	-	-	-	2,617
Bryce Wood	2,617	-	-	-	2,617
Leaston Paull	2,617	-	-	-	2,617
Ray Larkin	2,617	-	-	-	2,617
Total	18,319	4,000,000	-	-	4,018,319

** Net change other refers to shares purchased or sold during the financial year.*

1. Shares were held by Birketu Pty Ltd a party related to Max Cowley prior to his appointment in May 2006.
2. Vaughan Clark balance shown at 30.6.06, represents the balance at the time of his resignation.

(g) Remuneration Practices

The company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

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

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage / alignment of executive compensation
- Transparency
- Capital management

Non-executive directors

Fees and payments to non executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non executive directors' fees and payments are reviewed by the Board. The chairman's fees are determined independently to the fees of non-executive directors based on the director's experience and comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors fees

The current remuneration for directors was last reviewed in March 2006. Directors fees are inclusive of superannuation and include the requirement to sit on two or more board committees for the duration of their tenure and a director expected time commitment is between 5 to 10 hours per week. Directors are reimbursed actual expenses or paid a per diem for attendance at the monthly meetings.

Non executive directors' fees are determined within an aggregate directors' fee pool limit, currently $300,000, which is periodically recommended for approval by shareholders.

Retirement allowances for directors

Non-executive directors do not participate in any share or option incentive plan and there are no retirement schemes or retirement benefits other than statutory benefits for non-executive Directors.

Executive Pay

The executive pay and reward framework has four components:

- Base pay and benefits
- Short term performance incentives
- Long term incentives through participation in the employee share plan and employee option plan
- Other remuneration such as superannuation

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

Base pay

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and prescribed non financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market and meets the responsibilities of the position. There are no guaranteed base pay increases included in any senior executive's terms of employment.

Benefits

Executives receive benefits including allowances.

Retirement benefits

All employees are eligible to participate in the company's default superannuation fund. With the change in legislation as at 1 July 2005 the employees can now exercise choice as to where their superannuation is paid.

Short term incentives

Executive remuneration packages include a bonus based on a combination of the company achieving a pre-determined profit target and the operational pre-determined target being met. Using a profit target ensures variable reward is only available when value has been created for shareholders and when profit is consistent with business plan.

Each executive with operational responsibilities has a short term incentive depending on the accountabilities of the role and impact on organisation and business unit performance. The maximum target bonus opportunity is 60% of base salary.

For the year ended 30 June 2006, the targets linked to the short term incentive plans were based on the group and individual business objectives. The target achievement required performance in reducing operating cost, increasing revenue and overall increase in earnings before interest tax depreciation and amortisation. The group targets are generic across the management team.

The nomination and remuneration committee is responsible for assessing whether the targets are met. Targets are set at the beginning of the year and are assessed semi annually. Short term bonus payments are adjusted up or down in line with under or over achievement against target performance levels. Because short term targets cover several operational areas of the business as well as the overall company target, short term incentives may be paid when operational targets are achieved although the company overall profit target may not be met.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
Note 7: Auditor's Remuneration				
	$	$	$	$
Amounts paid/payable to BDO for:				
- auditing or reviewing the financial report	191,924	186,939	191,924	186,939
- taxation services	19,300	34,457	19,300	34,457

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 8: Dividends				
(a) Ordinary Shares				
Interim dividend for the year ending 30 June 2006 of 0.5 cents (2005: Nil) per fully paid ordinary share, paid 17 March 2006				
Fully franked based on tax paid @ 30%	753	-	753	-
Total dividends provided for or paid	753	-	753	-
(b) Dividends not recognised at year end				
In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 0.5 cents per fully paid ordinary share, (2005: Nil) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 15 September 2006 out of profits for the year ended 30 June 2006, but not recognised as a liability at year end, is	756	-	756	-

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2006 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2006.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2005 - 30%)	7,577	6,745	7,577	6,745

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax

(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and

(d) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $324,000 (2005: Nil)

Notes to the Financial Statements
for the Year Ended 30 June 2006

		Consolidated	
		2006	2005
		$'000	$'000
Note 9: Earnings Per Share			
(a)	Reconciliation of Earnings to Profit or Loss		
	Profit	702	1,969
	Earnings used to calculate basic EPS and dilutive EPS	702	1,969

		Number	Number
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	173,437,462	192,036,344
	Weighted average number of options outstanding	184,589	820,179
	Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	173,622,051	192,856,523

(c) Information concerning the classification of securities

Options

Options granted to employees under the Broadcast Services Australia Limited Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 26.

		Consolidated		Parent Entity	
		2006	2005	2006	2005
	Note	$'000	$'000	$'000	$'000
Note 10: Cash and Cash Equivalents					
Cash at bank and on hand		413	1,932	413	1,932
		413	1,932	413	1,932

Cash at bank and in hand is non-interest bearing.

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

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:

Cash and cash equivalents		413	1,932	413	1,932
Bank overdrafts	18	(1)	(1,280)	(1)	(1,280)
Balances as per statement of cash flows		412	652	412	652

		Consolidated		Parent Entity	
		2006	2005	2006	2005
	Note	$'000	$'000	$'000	$'000
Note 11: Trade and Other Receivables					
Current					
Trade receivables		12,002	14,496	12,002	14,496
Provision for doubtful debts		(356)	(433)	(356)	(433)
		11,646	14,063	11,646	14,063
Other receivables	(a)	9,292	3,295	9,292	3,295
Prepayments		449	320	449	320
		9,741	3,615	9,741	3,615
		21,387	17,678	21,387	17,678
Non-current					
Term receivables		239	305	239	305
Provision for doubtful debts		(95)	-	(95)	-
		144	305	144	305
Other receivables	(a)	1,119	-	1,119	-
		1,263	305	1,263	305

(a) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 12: Inventories				
Current				
At cost				
Raw materials and stores	3,004	2,248	3,004	2,248
Work in progress	-	7	-	7
			-	-
Finished goods	66	73	66	73
	3,070	2,328	3,070	2,328
At net realisable value				
Raw materials and stores	29	-	29	-
Finished goods	-	375	-	375
	29	375	29	375
	3,099	2,703	3,099	2,703

Write-down of inventories to net realisable value during the current financial year amounted to $830,041 (2005:$418,221)

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 13: Property, Plant & Equipment				
Buildings				
Leasehold improvements				
At cost	884	648	884	648
Less accumulated amortisation	(537)	(337)	(537)	(337)
	347	311	347	311
Plant and equipment				
At cost	6,606	5,441	6,606	5,441
Less accumulated depreciation	(4,898)	(3,960)	(4,898)	(3,960)
	1,708	1,481	1,708	1,481
Hire purchase assets				
At Cost	58	357	58	357
Less accumulated amortisation	(23)	(176)	(23)	(176)
	35	181	35	181
Total Owned Plant and Equipment	1,743	1,662	1,743	1,662
Capitalised Leased Plant and Equipment				
At cost	1,726	1,374	1,726	1,374
Less accumulated amortisation	(598)	(369)	(598)	(369)
	1,128	1,005	1,128	1,005
Total Property, Plant and Equipment	3,218	2,978	3,218	2,978

Movements in Carrying Amounts

Movements in the carrying amounts of each class of property, plant & equipment between the beginning and the end of the financial year

2006		Leasehold improvements	Plant & equipment	Leased plant & equipment	Total
	Note	$'000	$'000	$'000	$'000
Consolidated Entity					
Balance at the beginning of year		311	1,662	1,005	2,978
Additions		236	872	387	1,495
Disposals		-	(4)	(15)	(19)
Depreciation/amortisation	4	(200)	(796)	(240)	(1,236)
Transfers		-	9	(9)	-
Carrying amount at the end of year		347	1,743	1,128	3,218

Notes to the Financial Statements
for the Year Ended 30 June 2006

2006	Note	Leasehold improvements	Plant & equipment	Leased plant & equipment	Total
		$'000	$'000	$'000	$'000
Parent Entity					
Balance at the beginning of year		311	1,662	1,005	2,978
Additions		236	872	387	1,495
Disposals		-	(4)	(15)	(19)
Depreciation/amortisation	4	(200)	(796)	(240)	(1,236)
Transfers		-	9	(9)	-
Carrying amount at the end of year		347	1,743	1,128	3,218
2005					
Consolidated Entity					
Balance at the beginning of year		364	1,750	899	3,013
Additions		22	607	379	1,008
Disposals		-	(28)	(11)	(39)
Depreciation/amortisation	4	(75)	(720)	(209)	(1,004)
Transfers		-	53	(53)	-
Carrying amount at the end of year		311	1,662	1,005	2,978
Parent Entity					
Balance at the beginning of year		234	869	342	1,445
Additions		22	607	379	1,008
Disposals		-	(28)	(11)	(39)
Transfers from controlled entities		130	881	557	1,568
Depreciation/amortisation	4	(75)	(720)	(209)	(1,004)
Transfers		-	53	(53)	-
Carrying amount at the end of year		311	1,662	1,005	2,978

Notes to the Financial Statements

for the Year Ended 30 June 2006

		Consolidated		Parent Entity	
		2006	2005	2006	2005
	Note	$'000	$'000	$'000	$'000
Note 14: Tax					
(a) Liabilities					
Current					
Income Tax		245	208	245	208
Non-current					
Deferred tax liability comprises:					
Other	(c)	77	57	77	57
		77	57	77	57
(b) Assets					
Deferred tax assets comprise:					
Provisions	(c)	825	528	825	528
		825	528	825	528
(c) Reconciliations					
(i) Gross Movements					
The overall movement in the deferred tax account is as follows:					
Opening balance		471	441	471	441
Credit to income statement		277	30	277	30
Closing balance		748	471	748	471
(ii) Deferred Tax Liability					
Deferred tax liabilities comprise temporary differences					
Amounts recognised in profit and loss					
Prepayments		(32)	-	(32)	-
Finance lease		27	38	27	38
Under/over provision		25	-	25	-
Total deferred tax liabilities		20	38	20	38
(iii) Deferred Tax Assets					
Deferred tax assets comprise temporary differences attributable to:					
Amounts recognised in profit and loss					
Doubtful debts		5	(2)	5	(2)
Employee benefits		76	71	76	71
Retirement benefit obligations		(17)	21	(17)	21
Foreign exchange gains/(losses) - unrealised		(6)	1	(6)	1
Accruals		(11)	(23)	(11)	(23)
Provision for obsolesence		124	-	124	-
Over/(under) provision		126	-	126	-
Total deferred tax assets		297	68	297	68

Deferred tax assets recognised do not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 15: Intangible Assets				
Non-current Assets				
Goodwill at deemed cost	1,543	1,543	1,543	1,543
Goodwill on consolidation	11,482	11,482	-	-
Less accumulated impairment losses re goodwill at deemed cost	(1,535)	(35)	-	-
Total Non-Current Intangible Assets	11,490	12,990	1,543	1,543

	Goodwill
	$000
Consolidated Entity	
Year ended 30 June 2005	
Balance at the beginning of year	19,893
Reduction in goodwill on the sale of the 51% interest in The Antenna Man (WA) Pty Limited	(119)
Reduction in goodwill on consolidation of shares under the Deed of Variation in relation to the purchase of BSA Pty Ltd	(6,749)
Impairment losses	(35)
Closing carrying value at 30 June 2005	12,990
Year ended 30 June 2006	
Balance at the beginning of year	12,990
Impairment losses	(1,500)
Closing carrying value at 30 June 2006	11,490

Goodwill has an infinite life.

Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the group's reporting segments.

CGU	2006	2005
	$'000	$'000
Telecommunications and Broadcasting	-	1,500
Subscription TV and Free to Air	11,490	11,490
Total	11,490	12,990

The recoverable amount of each cash-generating unit above is determined based on value in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period with the period extending beyond five years extrapolated using an estimated growth rate. The cash flows are discounted using the yield of 10 year government bonds at the beginning of the budget period.

The following assumptions were used in the value-in-use calculations:

CGU	Growth Rate	Discount Rate
Telecommunications an Broadcasting	3.00%	12.45%
Subscription TV and Free to Air	3.00%	12.45%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

Impact of possible changes to key assunptions

Because the carrying amount of remaining goodwill far exceeds the deemed book cost of goodwill in the relevant CGU, management does not believe that any change in key assumptions would have any material effect on the recoverable amount of the goodwill.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 16: Controlled Entities Consolidated				
Shares in subsidiaries	-	-	-	-

Details of Group Companies

	Country of incorporation	Class of shares	Percentage Owned (%)	
			2006	2005
Parent Entity:				
Broadcast Services Australia Limited	Australia		-	-
Ultimate Parent Entity:				
Broadcast Services Australia Limited	Australia		-	-
Mr Broadband Pty Limited	Australia	Ordinary	100	100
Mr Antenna Pty Limited	Australia	Ordinary	100	100
Satellite Receiving Systems (QLD) Pty Limited	Australia	Ordinary	100	100
Mr Alarms Pty Limited	Australia	Ordinary	100	100
Evcom Australia Pty Limited	Australia	Ordinary	100	100
BSA Transmission Solutions Pty Limited	Australia	Ordinary	100	100
Hotwater Australia Pty Limited	Australia	Ordinary	100	100
Broadcast Services Australia Share Plans Pty Limited	Australia	Ordinary	100	100

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 17: Trade and Other Payables				
Current				
Trade payables	3,594	4,765	3,594	4,765
Other payables	7,382	5,343	7,382	5,343
Total Payables	10,976	10,108	10,976	10,108

		Consolidated		Parent Entity	
		2006	2005	2006	2005
	Note	$'000	$'000	$'000	$'000
Note 18: Borrowings					
Current					
Secured liabilities:					
Bank overdrafts	(a)	1	1,280	1	1,280
Bills of exchange		1,570	-	1,570	-
Hire purchase liabilities	(b), 22	21	185	21	185
Lease liabilities	(b), 22	256	277	256	277
Total Current Interest Bearing Liabilities		1,848	1,742	1,848	1,742
Non-current					
Hire purchase secured liabilities	22	21	41	21	41
Lease liabilities	(b), 22	783	730	783	730
		804	771	804	771

(a) The bank overdrafts of the group are secured by fixed and floating charges registered by mortgage debenture over assets and undertakings of the parent entity and its subsidiaries along with interlocking guarantees and indemnities for $6,450,000 between the parent entity and its subsidiaries.

The covenants within the bank borrowings require minimum interest cover of 5 times, minimum capital adequacy of 40% and outstanding debit balance not to exceed 70% of debtors less than or equal to 60 days.

Bank overdrafts and bills of exchange are repayable on demand and currently bear interest at a floating rate of 7.50% (2005 : 7.01%)

(b) Lease liabilities and hire purchase liabilities are effectively secured as the rights to the assets recognised in the financial statements revert to the financier in the event of default.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 19: Provisions				
Non-current				
Provision for Employee Entitlements	320	247	320	247

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Consolidated Entity

	Employee Benefits
Opening balance at 1 July 2005	247
Additional Provisions	88
Amounts used	(15)
	320

Parent Entity

Opening balance at 1 July 2005	247
Additional Provisions	88
Amounts used	(15)
	320

Note 20: Contributed Equity

(a)	Share capital		Parent Entity		Parent Entity	
		Note	2006	2005	2006	2005
			Number of Shares	Number of Shares	$'000	$'000
	Ordinary shares - fully paid	(c)	151,249,701	194,460,520	47,601	46,563

(b)	Movements in ordinary share capital					
	Date	Details		Number of Shares	Issue Price $	$'000
	1 July 2005	Opening Balance		194,460,520		46,563
	6 December 2005	Options converted to shares	(d)	250,000	0.20	50
	6 January 2006	BSA Capital Reduction	(e)	(48,204,560)	0.14	-
	12 January 2006	Shares issued under Executive Securities Plan	(f)	4,000,000	0.24	976
		Effect of present value on Executive Securities Plan				(169)
	17 March 2006	Dividend Reinvestment Plan	(g)	743,741	0.26	193
				151,249,701		47,613
		Costs of equity raising		-		(12)
				151,249,701		47,601

(c) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The costs of raising the share capital in the year ended 30 June 2006 totalled $12,353. Pursuant to the policy described in Note 1(q), the cost has been deducted from issued capital.

(d) Options

Information relating to the Broadcast Services Australia Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in Note 26.

(e) At a meeting of members held on 13 December 2005, the members passed a special resolution to cancel 48,204,560 shares that were held under escrow under the "Share Sale Agreement" for the purchase of shares in BSA Pty Limited in December 2002. These shares were cancelled with the Australian Stock Exchange Limited on 6 January 2006. The monetary value of the shares to be cancelled was adjusted in the financial statements for the year ended 30 June 2005, as the value of the shares to be cancelled under the terms of the agreement was known at that time. The costs incurred this year to complete this transaction amounted to $324,000.

(f) Executive Securities Plan

The company has established an executve securities plan as a mechanism to provide the company's key executives with a direct equity involvement and incentive in the company which aligns them with the shareholders.

(g) Dividend Reinvestment Plan

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan at a 5% discount to the average market price.

		Consolidated			Parent Entity
		2006	2005	2006	2005
		$'000	$'000	$'000	$'000
Note 21: Reserves and Accumulated Losses					
(a)	Reserves				
	Share-based payments reserve	945	488	945	488
		945	488	945	488
	Movements during the year :				
	Share-based payments reserve				
	Opening balance	488	-	488	-
	Option expense	457	488	457	488
	Transfer to share capital (options exercised)	-	-	-	-
	Closing balance	945	488	945	488

The share-based payments reserve records items recognised as expenses on valuation of employee share options.

(b)	Accumulated losses				
	Movements in accumulated losses were as follows:				
	Balance 1 July	(21,070)	(23,039)	(32,517)	(26,449)
	Net profit/(loss) for the year	702	1,969	2,202	(6,068)
	Dividends	(753)	-	(753)	-
	Balance 30 June	(21,121)	(21,070)	(31,068)	(32,517)

	Note	Consolidated 2006	Consolidated 2005	Parent Entity 2006	Parent Entity 2005
		$'000	$'000	$'000	$'000
Note 22: Capital And Leasing Commitments					
(i) Operating Lease Commitments					
The Group leases various offices and warehouses under non-cancellable operating leases expiring within one to six years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.					
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:					
Within one year		727	586	727	586
Later than one year but not later than five years		849	786	849	786
Later than five years		-	16	-	16
		1,576	1,388	1,576	1,388
(ii) Finance Lease Commitments					
The Group leases various plant and equipment with a carrying amount of $1,128,000 (2005: $1,005,000) under finance leases expiring within one to four years. Under the terms of the leases, the Group has the option to acquire the leased assets after paying the residual amount on expiry of the leases.					
Commitments in relation to finance leases are payable as follows:					
Within one year		319	325	319	325
Later than one year but not later than five years		881	951	881	951
Later than five years		-	-	-	-
Minimum lease payments		1,200	1,276	1,200	1,276
Less future finance charges		(161)	(269)	(161)	(269)
Total Lease Liability		1,039	1,007	1,039	1,007
Represented by:					
Current liability	18	256	277	256	277
Non-current liability	18	783	730	783	730
		1,039	1,007	1,039	1,007
(iii) Hire Purchase Commitments					
The Group purchased various plant and equipment with a carrying amount of $35,000 (2005: $181,000) under hire purchase agreements expiring within one to four years. Under the terms of the agreements, the Group has the option to acquire the assets after paying the residual amount on expiry under the agreements.					
Commitments in relation to hire purchase agreements are payable as follows:					
Within one year		23	197	23	197
Later than one year but not later than five years		23	44	23	44
Later than five years		-	-	-	-
Minimum hire purchase payments		46	241	46	241
Less future finance charges		(4)	(15)	(4)	(15)
Total Hire Purchase Liability		42	226	42	226
Represented by:					
Current liability	18	21	185	21	185
Non-current liability	18	21	41	21	41
		42	226	42	226
(iv) Remuneration Commitments					
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:					
Within one year		730	546	730	546
Later than one year and not later than five years		914	1,644	914	1,644
Later than five years		-	-	-	-
		1,644	2,190	1,644	2,190

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personel referred to in note 6 that are not recognised as liabilities and are not included in the key management personnel compensation.

Note 23: Contingencies

Contingent Liabilities

The parent entity and controlled entities had contingent liabilities at 30 June 2006 in respect of:

Guarantees

Guarantees given in respect of leasing facilities amounting to $1,045,414 (2005 - $1,060,062) secured by fixed and floating charge to the bank over the assets of the consolidated entity and secured guarantees given in respect of:

(a) office leases amounting to $302,468 (2005 - $104,500)

(b) performance of certain contracts amounting to $750,000 (2005 - $100,000)

Litigation

BSA has received a letter of demand subsequent to year end from legal representatives of Service Stream Limited (STR). The letter foreshadows the possibility of proceedings against BSA being commenced to secure a break fee $250,000 claimed by STR in relation to the termination of negotiation between parites under a Memorandum of Understanding. No proceedings are on foot, but if commenced will be defended.

No amount has been provided in the accounts in respect of this matter.

Note 24: Segment Information

Business and Geographic Segments

Business segments

The consolidated entity is organised into the following industry segments

Telecommunications and Broadcasting

Provides solutions, equipment and contracting services to the telecommunications and broadcast industries.

Subscription TV and Free to Air

Performs satellite installation to the subscription television and communication industry, delivery of bundled services over hybrid fibre coax network, installation of free to air television antennas and security systems.

Geographic segments

The consolidated entity currently operates in one geographic segment, being Australia.

Primary reporting - Business segments

2006	Telecommunications and Broadcasting	Subscription TV and Free to Air	Consolidated
	$'000	$'000	$'000
Sales to external customers	51,424	79,140	130,564
Other revenue	11	43	54
Total segment revenue	51,435	79,183	130,618
Segment result	257	1,366	1,623
Income tax expense			(921)
Net profit			702
Segment assets	4,670	37,025	41,695
Segment liabilities	1,358	12,912	14,270
Acquisition of property, plant and equipment, intangibles and other non current segment assets	227	1,268	1,495
Depreciation and amortisation expenses	564	672	1,236
Other non-cash expenses	1,500	457	1,957

Primary reporting - Business segments

2006	Telecommunications and Broadcasting	Subscription TV and Free to Air	Consolidated
	$'000	$'000	$'000
Sales to external customers	38,120	80,754	118,874
Other revenue	40	190	230
Total segment revenue	38,160	80,944	119,104
Segment result	(183)	3,159	2,976
Income tax expense			(1,007)
Net profit			1,969
Segment assets	7,328	31,786	39,114
Segment liabilities	4,458	8,675	13,133
Acquisition of property, plant and equipment, intangibles and other non current segment assets	448	560	1,008
Depreciation and amortisation expenses	491	512	1,003
Other non-cash expenses	-	488	488

Secondary reporting - Geographical segments

	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisitions of Non-current Segment Assets	
	2006	2005	2006	2005	2006	2005
	$'000	$'000	$'000	$'000	$'000	$'000
Australia	130,564	118,874	41,695	39,114	1,495	1,008

Accounting Policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1 and Accounting Standard AASB 114 Segment Reporting.

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

Impairment Losses

An impairment loss amounting to $1,500,000 (2005: $35,572) relating to goodwill was recognised as an expense.

Share-based Payment Expense

A share-based payment expense amounting to $456,485 (2005: $488,047) relating to options granted to certain employees was recognised as an expense.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 25: Cash Flow Information				
(a) Reconciliation of profit/(loss) after income tax to net cash flows for the year				
Profit/(loss) for the year	702	1,969	2,202	(6,068)
Depreciation and amortisation	1,236	1,003	1,236	1,003
Impairment of goodwill	1,500	-	-	-
Share-based payment expense	457	488	457	488
Net write off of investments and loans to subsidiaries	-	-	-	7,818
Net loss on sale of non-current assets	1	9	1	9
Change in operating assets and liabilities				
(Increase) decrease in trade receivables	2,560	2,826	2,560	(3,548)
(Increase)/decrease in inventories	(396)	195	(396)	(1,281)
(Increase) in deferred tax asset	(297)	(68)	(297)	(282)
(Increase)/decrease in other operating assets	(6,420)	(1,004)	(6,420)	1,254
Increase/(decrease) in trade payables	(1,409)	988	(1,409)	2,801
Increase/(decrease) in other operating liabilities	1,736	(4,024)	1,736	(1,340)
Increase/(decrease) in provision for income taxes payable	37	(1,547)	37	(484)
Increase in provision for deferred taxes payable	20	38	20	57
Increase in provisions	73	236	73	682
Cashflow from operations	(200)	1,109	(200)	1,109

(b) Non-cash Financing and Investing Activities

(i) During the year the economic entity acquired plant and equipment with an aggregate value of $388,000 (2005:$379,000) by means of finance leases. These acquisitions are not reflected in the statement of cash flows.

(ii) During the year the economic entity issued shares under the Executive Securities Plan with a value of $806,617 (2005: Nil) by means of a loan. This issue is not reflected in the statement of cash flows.

(iii) During the year the economic entity paid a dividend and certain holders of ordinary shares elected to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. This amounted to $193,000 (2005: Nil).

(c) Credit Standby Arrangements with Banks				
Credit facility	10,000	6,864	10,000	6,864
Amount utilised	(1,571)	(1,280)	(1,571)	(1,280)
Unused credit facility	8,429	5,584	8,429	5,584

The major facility is summarised as follows:

Working Capital Facility

The facility is reviewed annually by the bank. Interest rates are variable. The current rate is 7.50% (2005: 7.01%).

Finance will be provided under the facility provided the company and the consolidated entity have not breached any borrowing requirements and the required financial ratios are met.

(d) Guarantees

Guarantees given in respect of the above facility of which $1,571,430 was utilised at 30 June 2006 (2005: $2,169,980), are secured by fixed and floating charge to the bank over the assets of the company together with guarantees in favour of the parent given by all controlled entities.

Note 26: Share-based Payments

(a) Employee Option Plan

The establishment of the Broadcast Services Australia Limited Employee Option Plan was approved by shareholders at the 2004 annual general meeting. Staff eligible to participate are those who are full time or permanent part-time employees of any company in the group, including an executive director and non-executive director of the company and whom the Board of Directors has sole discretion to determine to be eligible to participate but does not include a person who has a relevant interest in greater than 5% of the issued ordinary share capital of the company.

The exercise price and exercise period applicable to any options to be offered under the Option Plan will, at or before the time of issuing an invitation to eligible employees to subscribe for options, be determined by the Board in its absolute discretion.

Subject to any restrictions in the Listing Rules or the Corporations Act 2001, the Board may in its absolute discretion impose on the options such other terms as it considers appropriate.

As soon as practicable after receipt of a valid notice of exercise of an option together with the exercise price the company will allot the appropriate number of ordinary shares. Any shares issued on the exercise of the options granted pursuant to the resolution will be officially quoted and will rank equally with all other shares on issue in the company and all the rights and entitlements of the holders in respect of those shares will be identical to the rights and entitlements of the holders of the currently issued shares in the company.

Options can only be exercised after three years if the employee remains in the employment of the company and the option will then expire two years after this date. If the employee terminates their employment within the three years, the option is exercisable for twelve months from the date after termination. If the company is subject to a takeover the option will vest and be exercisable for a period of three months.

Options may not be transferred, though prior to use a nominee may be advised for consideration by the Board.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry Date	Exercise Price (cents)	Balance at Start of the Year	Granted During the Year	Exercised During the Year	Forfeited During the Year	Balance at End of Year	Exercisable at End of the Year
			Number	Number	Number	Number	Number	Number
Consolidated and parent entity - 2006								
25 Nov 2003	30 Jun 2007	0.20	1,250,000	-	(250,000)	-	1,000,000	1,000,000
28 Jun 2004	10 Nov 2009	0.26	333,334	-	-	-	333,334	333,334
28 Jun 2004	10 Nov 2010	0.26	333,333	-	-	-	333,333	333,333
28 Jun 2004	10 Nov 2011	0.26	333,333	-	-	-	333,333	-
28 Jun 2004	30 Jun 2008	0.26	200,000	-	-	-	200,000	200,000
28 Jun 2004	30 Jun 2009	0.26	200,000	-	-	-	200,000	200,000
28 Jun 2004	30 Jun 2010	0.26	200,000	-	-	-	200,000	-
25 Nov 2004	25 Nov 2009	0.47	6,000,000	-	-	-	6,000,000	2,000,000
Total			8,850,000	-	(250,000)	-	8,600,000	4,066,667
Weighted average exercise price			0.39	0.00	0.20	0.00	0.40	0.35
Consolidated and parent entity - 2005								
25 Nov 2003	30 Jun 2007	0.20	8,000,000	-	(6,750,000)	-	1,250,000	1,250,000
28 Jun 2004	10 Nov 2009	0.26	333,334	-	-	-	333,334	333,334
28 Jun 2004	10 Nov 2010	0.26	333,333	-	-	-	333,333	-
28 Jun 2004	10 Nov 2011	0.26	333,333	-	-	-	333,333	-
28 Jun 2004	30 Jun 2008	0.26	200,000	-	-	-	200,000	200,000
28 Jun 2004	30 Jun 2009	0.26	200,000	-	-	-	200,000	-
28 Jun 2004	30 Jun 2010	0.26	200,000	-	-	-	200,000	-
13 Oct 2004	25 Nov 2009	0.39	-	1,000,000	-	(1,000,000)	-	-
25 Nov 2004	25 Nov 2009	0.47	-	6,000,000	-	-	6,000,000	-
Total			9,600,000	7,000,000	(6,750,000)	(1,000,000)	8,850,000	1,783,334
Weighted average exercise price			0.21	0.46	0.20	0.39	0.39	0.22

There were 250,000 options exercised during the year ended 30 June 2006. These options had a weighted average share price of 20 cents at exercise date.

The options outstanding at 30 June 2006 had a weighted average exercise price of 40 cents and a weighted average remaining contractual life of 3.21 years. Exercise prices range from 20 cents to 47 cents in respect of options outstanding at 30 June 2006.

Fair value of options granted

There were no options granted during the year ended 30 June 2006. The weighted average fair value of options granted during the prior year was 16 cents. The fair value at grant date was determined by an independent valuer using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, vesting and performance criteria, the impact of dilution, the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted during the prior year were as follows:

- options are granted for no consideration, have a 5 year life and are exercisable from 1 to 3 years
- grant date: 25 November 2004
- share price at grant date: 43 cents
- exercise price: 47 cents
- expected volotility: 50%
- expected dividend yield: 0%
- risk free rate: 5.00% to 5.07%

(b) Employee Share Scheme

A scheme under which shares were issued by the company to employees for no cash consideration was ratified by shareholders at the 2004 annual general meeting. All permanent employees (including executve directors) who were continuously employed by the consolidated entity for a period of at least one year were eligible to participate in the scheme. Employees could elect not to participate in the scheme.

Under the scheme, eligible employees were offered $1,000 worth of fully-paid ordinary shares in Broadcast Services Australia Limited for the Year Ended 30 June 2004 for no cash consideration. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, was recognised in the statement of financial position as share capital and as part of employee benefit cost.

Offers under the scheme are at the discretion of the company. No offers were made during year the ended 30 June 2006.

Shares under the scheme may not be sold until the earlier of three years after issue or cessation of employment with the consolidated entity. In all other aspects the shares rank equally with other fully-paid ordinary shares on issue (see note 20 (c)).

The number of shares issued to participants in the scheme is the offered amount divided by the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the date of the offer.

	Consolidated		Parent Entity	
	2006	2005	2006	2005
Shares issued under the plan to participating employees on:				
22 December 2004	-	248,615	-	248,615
2 February 2005	-	2,617	-	2,617

Each participant in 2005 was issued with shares worth $1,000 based on the weighted average market price of 38 cents.

(c) Executive Securities Plan

The establishment of the Broadcast Services Executive Securities Plan was approved by shareholders at the 2005 annual general meeting. The Plan was established as a mechanism to provide the Company's key executives with a direct equity involvement and incentive in the Company which aligns them with the shareholders.

The number of Securities to be offered and the time at which Securities may be offered from time to time to executives and the price and terms of payment, shall be determined by the Board in its discretion.

The Board may at such times as it determines invite any executive to be a member of the Plan.

If an executive to whom an Invitation has been issued forwards to the Company a duly completed Loan Application and the Transfer Documents together with his acceptance, and where appropriate his Application for Shares, then the Company shall, in accordance with the terms of the Loan Agreement, lend to the executive such amount as the executive has applied for in the Loan Application.

The maximum amount of any Loan shall be the total subscription price for the Shares applied for.

No interest is payable by the Borrower under the Loan Agreement.

An executive shall not sell, mortgage, charge, assign or otherwise dispose of or encumber any Shares before payment or repayment of any amount outstanding to the Company in respect thereof.

Subject to the above restriction and to the terms of the Loan Agreement (if any) deemed to be entered into by the executive, an executive shall from the Date of Allotment, be the absolute beneficial owner of the Shares.

Unless the Directors of the Company otherwise provide in the terms of any Invitation, all Plan Shares shall rank for dividends declared on or after the Date of Allotment and shall in all respects rank equally with and have the same rights and entitlements as all other fully paid ordinary shares of the Company.

Set out below are summaries of Securities accepted under the plan:

Grant Date	Expiry Date	Issue Price (cents)	Balance at Start of the Year	Granted During the Year	Released from Escrow During the Year	Balance in Escow at End of the Year
			Number	Number	Number	Number
Consolidated and parent entity – 2006						
12 Jan 2006	11 Jan 2009	0.24	-	4,000,000	-	4,000,000

	Consolidated		Parent Entity	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Note 27: Events Occurring After Reporting Date				
Reorganisation of broadcast and telecommunications segment				
On 6 July 2006 the company announced the reorganisation of the broadcast and telecommunications segment to a more cost effective structure. This was as a result of the poor performance of the transmission business. The financial effect of the poor performance of the transmission business on the results for the year ended 30 June 2006 is:				
Goodwill				
Goodwill attributable to this segment was written off as impaired	1,500	-	-	-
Inventory				
Inventory has been recognised at net realisable value				
At Cost	830	-	830	-
Less write-down	(830)	-	(830)	-
Net realisable value	-	-	-	-

Contract with major communications equipment supplier

Since year end, BSA has secured a contract with a major US communications equipment supplier for the 24 X 7 support of their products in Australia during an extensive three year roll-out programme they have secured.

Note 28: Related Party Transactions

Key management personnel

Disclosures relating to directors and specified executives are set out in Note 6.

Wholly-owned group

The wholly-owned group consists of Broadcast Services Australia Limited and its wholly owned controlled entities Mr Broadband Pty Ltd, Mr Antenna Pty Ltd, Satellite Receiving Systems (QLD) Pty Ltd, Mr Alarms Pty Ltd, Evcom Australia Pty Ltd, BSA Transmission Solutions Pty Ltd, Hotwater Australia Pty Limited and Broadcast Services Australia Share Plans Pty Limited. Ownership interests in these controlled entities are set out in Note 16.

There were no transactions between Broadcast Services Australia Limited and other entities in the wholly owned group during the year ended 30 June 2006.

Transactions between Broadcast Services Australia Limited and other entities in the wholly-owned group during the year ended 30 June 2005 consisted of:

(a) loans advanced by Broadcast Services Australia Limited;

(b) loans repaid to Broadcast Services Australia Limited;

(c) transfer of property, plant and equipment at cost to Broadcast Services Australia Limited; and

(d) transfer of liabilities at book value to Broadcast Services Australia Limited.

Property, plant and equipment was transferred at cost. There are no fixed terms for the repayment of principal on loans and there is no interest charged on loans.

	Parent entity	
	2006	2005
	$'000	$'000
Aggregate amounts brought to account in relation to transactions within the wholly-owned group:		
Net write down of investments and loans to subsidiaries	-	7,818

Note 29: Financial Instruments

(a) Financial Risk Management

Activities undertaken by Broadcast Services Australia Limited and its subsidiaries may expose the Group to liquidity risk and credit risk. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does have material credit risk exposure to a group of receivables in respect of major customers. However, Group policy is that sales are only made to customers that are credit worthy.

(b) Interest Rate Risk Exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

The group's financial instruments consists mainly of deposits with banks, accounts receivable and payable, bills and leases.

			Fixed Interest Rate Maturing				
2006		Floating interest rate	1 year or less	Over 1 to 5 years	More than 5 years	Non-Interest bearing	Total
	Note	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Cash and deposits	10	405	-	-	-	8	413
Receivables	11	-	-	-	-	22,650	22,650
		405	-	-	-	22,658	23,063
Financial Liabilities							
Bills of exchange and promissory notes	18	1,570	-	-	-	-	1,570
Bank overdrafts	18	1	-	-	-	-	1
Trade and other payables	17	-	-	-	-	10,976	10,976
Lease and hire purchase liabilities	18	-	277	804	-	-	1,081
		1,571	277	804	-	10,976	13,628
Weighted average interest rate		7.0%	7.5%	7.5%			
Net financial assets/(liabilities)		(1,166)	(277)	(804)	-	11,682	9,435
2005							
Financial Assets							
Cash and deposits	10	1,732	-	-	-	200	1,932
Receivables	11	-	-	-	-	17,983	17,983
		1,732	-	-	-	18,183	19,915
Financial Liabilities							
Bank overdrafts	18	1,280	-	-	-	-	1,280
Trade and other payables	17	-	-	-	-	10,108	10,108
Lease and hire purchase liabilities	18	-	462	771	-	-	1,233
		1,280	462	771	-	10,108	12,621
Weighted average interest rate		6.9%	7.3%	7.3%			
Net financial assets/(liabilities)		452	(462)	(771)	-	8,075	7,294

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

Note 30: Economic Dependency

Broadcast Services Australia Limited derives 85% (2005: 82%) of its revenue from its major clients Foxtel, Austar, Telstra and Optus and is dependent on those entities' ability to both maintain and attract subscribers.

Note 31: Corporate Information

The financial report of Broadcast Services Australia Limited for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 11 September 2006 and covers Broadcast Services Australia Limited as an individual entity as well as the consolidated entity consisting of Broadcast Services Australia Limited and its subsidiaries as required by the Corporations Act 2001.

The financial report is presented in Australian currency.

The address of the registered office and principal place of business is:

Unit 11, 79-99 St Hilliers Road

Auburn NSW 2144

Directors' Declaration

The directors of the company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

   a. comply with Accounting Standards and the Corporations Regulations 2001; and

   b. give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the company and the consolidated entity.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by;

Brian Baldwin,
Director

Daniel Lipshut,
Director
Dated Sydney, this 26th day of September 2006

Independent Audit Report

To The Members Of Broadcast Services Australia Limited

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Broadcast Services Australia 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 directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional 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 and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

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

Independence

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

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Audit Opinion

In our opinion the financial report of Broadcast Services Australia Limited is in accordance with:

(a) 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 in Australia and the Corporations Regulations 2001; and
(b) other mandatory financial reporting requirements in Australia.

BDO

BDO
Chartered Accountants

D S McLean,
Partner
Dated Sydney, this 26th day of September 2006

Shareholder Information

The shareholder information set out below was applicable as at 31 August 2006.

A. Distribution of Equity Securities

Analysis of numbers of equity security holders by size of holding:

	Number of Holders	Ordinary Shares
1 to 1,000	177	119,819
1,001 to 5,000	659	2,029,501
5,001 to 10,000	254	2,091,218
10,001 to 100,000	424	14,291,425
100,001 and above	85	132,717,738
	1,599	151,249,701

There were 384 (2005: 268) holders of less than a marketable parcel of ordinary shares.

B. Equity Security Holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name of Holder	Ordinary Shares	
	Number Held	Percentage of Issued Shares
Birketu Pty Ltd	30,244,000	20.00%
Link Enterprises (Holdings) Pty Ltd	18,707,017	12.37%
Mr Greg Mullane	9,298,743	6.15%
Mr Mark Foley	8,134,224	5.38%
J P Morgan Nominees Australia Limited	7,301,681	4.83%
Equity Trustees Limited	6,080,000	4.02%
National Nominees Limited	4,358,660	2.88%
ANZ Nominees Limited Income Reinvestment Plan	4,094,929	2.71%
Intercorp Telecommunications Pty Limited	3,837,769	2.54%
Bell Potter Nominees Ltd	3,664,391	2.42%
ANZ Nominees Limited Cash Income A/C	3,502,400	2.32%
Citicorp Nominees Pty Limited CFSIL A/C	3,265,764	2.16%
Hawke & Tusk Pty Limited	2,740,775	1.81%
Cogent Nominees Pty Limited - NSW	2,492,022	1.65%
Citicorp Nominees Pty Limited VIC	2,223,285	1.47%
Taloombi Pty Ltd	1,721,257	1.14%
Mr Brian Baldwin	1,069,000	0.71%
Mr Troy William Graham	1,000,003	0.66%
Sherrin Foley	921,072	0.61%
Dottie Investments Pty Ltd	900,027	0.60%
Top 20 Shareholders	115,557,019	76.43%

C. Substantial Shareholders

Substantial shareholders in the company are set out below:

Ordinary Shares	Number Held	Percentage
Birketu Pty Ltd	30,244,000	20.00%
Link Enterprises (Holdings) Pty Ltd	18,707,017	12.37%
Mr Greg Mullane controlled holdings	11,020,000	7.29%
Mr Mark Foley	8,134,224	5.38%

D.Voting Rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote

(b) Option over an ordinary share
No voting rights

CORPORATE DIRECTORY

Broadcast Services Australia Limited Registered Office

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Auditor

BDO Chartered Accountants
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2 Market Street
Sydney NSW 2000

Banker

National Australia Bank Limited
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Sydney NSW 2000