

**MACQUARIE RADIO NETWORK LIMITED**  
**ABN 32 063 906 927**

**FINANCIAL REPORT 30 JUNE 2005**

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**DIRECTORS**

Max Donnelly	Chairman
Angela Clark	Chief Executive Officer
Mark Carnegie	Non-executive Director
Stephen Chapman	Non-executive Director
Russell Tate	Non-executive Director
Maureen Plavsic	Non-executive Director

**COMPANY SECRETARY**

Kate Thompson

**AUDITOR**

Horwath Sydney Partnership

**SOLICITORS**

Gilbert + Tobin  
Minter Ellison  
Corrs Chambers Westgarth

**BANKER**

Australia and New Zealand Banking Group Limited

**SHARE REGISTRY**

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000

**STOCK EXCHANGE LISTING**

The shares of Macquarie Radio Network Limited are listed on the Australian Stock Exchange Limited.

**HEAD OFFICE**

Level 1, 33-35 Saunders Street  
Pyrmont NSW 2009

**REGISTERED OFFICE**

Level 1, 33-35 Saunders Street  
Pyrmont NSW 2009

**ANNUAL GENERAL MEETING**

The Annual General Meeting of Macquarie Radio Network Limited is to be held on 25 November 2005 at Level 1, 33-35 Saunders Street, Pyrmont, New South Wales 2009 commencing at 10.00 am.

- Successful listing of the Company on the ASX
- Company raises over \$14 million via an institutional placement
- 2GB the number 1 rating commercial radio station in Sydney in all 2005 financial year surveys\*
- Innovations in digital radio and new media including the launch of a 24 hours News Channel and an NRL live score update on 2GB's digital radio arm, 2GB Plus
- 30 June 2005 financial year results ahead of prospectus forecasts

\* Nielsen Media Research, All ppl 10+ Surveys 5-8, 2004 and Surveys 1-4, 2005

## To our valued shareholders

**Max Donnelly**



The past year has been a very exciting time for our Company, Macquarie Radio Network Limited. We successfully did an Initial Public Offering and listed on the Australian Stock Exchange Limited in April 2005. This followed a successful institutional capital raising of \$14 million in June of this year.

I am pleased to report to you that during the financial year ended 30 June 2005 our Company earned \$7.369 million before interest and tax ("EBIT") (which was 5.5% higher than the \$6.982 million forecast in our prospectus). The net profit after tax for the year was \$4.091 million which was 10.5% higher than the \$3.703 million prospectus forecast.

Our Company will continue to focus on the opportunities that are emerging in the ever changing media landscape. At the same time, we will continue to look for acquisitions that will increase our diversity and add value to our existing businesses.

On behalf of all Directors, I would like to thank our executive team and all our staff for all the time, energy and effort they have invested in our Company.

To shareholders and clients of Macquarie Radio Network, we thank you for your support and we look forward to another challenging and rewarding year.

**Angela Clark**

In the past year Macquarie Radio Network Limited (the "Company") has focused on positioning itself for long-term growth.

We are pleased with the performance of the Company following its public listing in April 2005. The business now has an appropriate capital structure and the financial flexibility to actively seek strategic opportunities.

2GB 873 was the highest rating radio station in Sydney, the most competitive radio market in Australia, in every survey for the year. This is testament to the talent and hard work of the 2GB team. In January 2005 the Company also looked to refresh the 2CH 1170 programming and subsequent surveys indicate 2CH's appeal is broadening.

Significant changes were likewise made in the second half of the year to our senior sales and agency teams. We believe the last quarter and current year sales performance show that these structural changes have made a positive impact. The final quarter of the financial year delivered our strongest year on year revenue growth. In 2006 we will continue to focus on improved sales performance to increase yield and competitiveness.

We anticipate that in the coming twelve months significant opportunities and challenges for radio will exist. As a content rich business with unrivalled listener loyalty we believe our willingness to innovate and move across platforms will enable us to exploit the possibilities that technological change and new media offer. The Company has been acknowledged for its leadership position in digital radio content and launched podcast content in July 2005. Much more remains to be done in this area and work is underway as I write on expanding our reach beyond our radio licences.

Last but not least we acknowledge that the Company's success in 2005 has been driven by the dedication and hard work of the people who collectively are 'MRN'. Thank you for your commitment and professionalism and we look forward to further success in 2006.

The board of Directors (“the Board”) is committed to responsible corporate governance. In accordance with the Australian Stock Exchange Limited Corporate Governance Council’s *Principles of Good Corporate Governance and Best Practice Recommendations* (“the Recommendations”), the Board has established a sound framework of corporate governance practices that it considers appropriate for the Company. The establishment of a sound framework of corporate governance, and the implementation of the corresponding governance culture and processes throughout the Company, is one of the primary responsibilities of the Board. The Board recognises that it is accountable to shareholders for the performance of the Company and, to that end, is responsible for instituting a system of corporate governance that operates in the best interests of shareholders while also addressing the interests of other key stakeholders.

The Board considers the Company’s corporate governance practices are consistent with the Recommendations. However, the Board recognises that the full adoption of the Recommendations may not be practical or appropriate given the particular circumstances and structure of the Company. Where the Company’s current practices do not comply with the Recommendations, the differences are identified in this Statement. The Board also recognises that corporate governance is not a static matter and regularly reviews the Company’s policies and practices to ensure that they remain current and in accordance with best practice.

This Statement describes the Company’s main corporate governance practices in place during 2005.

## **BOARD OF DIRECTORS**

The Board guides and monitors the performance and management of the Company on behalf of the shareholders, by whom it is elected and to whom it is accountable.

### **Board role and responsibility**

The Board Charter clearly defines the matters that are reserved for the Board, and those that the Board has delegated to management. The principal responsibilities of the Board include:

- contributing to the development and implementation of corporate strategy;
- monitoring the corporate and financial performance of the Company;
- approving the Company’s financial reporting including annual and half-year reports;
- appointing Board members and the Chief Executive Officer;
- delegating clear responsibility and authority to the committees of the Board, the Chief Executive Officer and management;
- monitoring and reviewing the performance of those who hold delegated powers;
- monitoring and reviewing processes and systems of risk management and internal compliance and control;
- overseeing the Company’s corporate governance framework;
- overseeing the Company’s processes for disclosure and communications; and
- reviewing and authorising major investments.

The Board has delegated responsibility to the Chief Executive Officer for the day-to-day management and administration of the Company. The Chief Executive Officer manages the Company in accordance with the corporate strategy, objectives and delegations approved by the Board.

### **Composition of the Board**

The Company seeks to have a Board comprising Directors with relevant knowledge, experience and expertise to deal with the current and emerging issues of the business, to review and challenge the performance of management, and to exercise independent judgment.

The Board currently comprises six Directors:

- five Non-executive Directors; and
- one Executive Director.

Details of the background and particular expertise of each Director are set out on page 13.

The Recommendations state that a majority of the Board should be independent. In summary, a Director is considered to be independent if he/she is not a member of management and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with a substantial shareholder;
- is not, and has not in the last three years been, a principal of a material professional adviser or a material consultant to the Company;
- is not associated with a material supplier or customer of the Company;
- has no material contractual relationship with the Company;
- does not have any interest or business 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; and
- has not served on the Board for a period which could materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for these purposes is assessed on a case-by-case basis having regard to the Company and the relevant Director's circumstances, including the significance of the relationship to the Director in the context of their activities as a whole.

Currently one Non-executive Director is deemed to be independent. Four Non-executive Directors and one Executive Director are deemed to be non-independent. In order to have the majority of the Board as independent Directors, it would be necessary to appoint five additional independent Directors or to replace some current Directors. In assessing the composition of the Board, the Company aims for its Directors to be independent in thought and judgment, as well as to add value to the Company. The enforcement of the material personal interest requirement (see below) also ensures that the interests of shareholders, as a whole, are pursued and not jeopardised by a lack of majority of independent Directors.

The Company both requires and benefits from the passionate involvement of the existing Directors who have been instrumental to date in the success of the Company and the business. The existing Board structure is considered appropriate for the Company at this stage of its growth.

The Recommendations also state that the Chairperson should be an independent Director. While the Chairman, Max Donnelly, is a Non-executive Director appointed by the Board, he is not considered by the Board to be independent. However, the Board has determined that the Chairman remain unchanged at this point in time as it considers Max Donnelly is the best qualified Director to be the Chairman.

### **Nomination and appointment of new Directors**

Under the Board Charter, it is the responsibility of the Nomination and Remuneration Committee to formulate procedures and policies for the selection, appointment and remuneration of new Directors and the Chief Executive Officer. The Committee is also responsible for reviewing the performance of the Board, its committees and individual Directors.

Where the Board determines there is a need to appoint a Director, whether due to the retirement of a Director, growth of the Company, or changed circumstances of the Company, the Nomination and Remuneration Committee has responsibility for proposing candidates for consideration by the Board. Where appropriate, the services of external consultants may be engaged.

New Directors receive a letter of appointment, setting out the terms of their appointment, and a copy of the Company's Constitution and Board Charter.

### **Retirement and re-election of Directors**

In accordance with the Company's Constitution, one third of the Board (other than the Chief Executive Officer) must stand for re-election on a rotational basis at each Annual General Meeting. All retiring Directors are eligible for re-election.

The Company does not have a policy in relation to the retirement or tenure of Directors. The Board believes that maintaining flexibility in relation to the appropriate term for each Director allows it to attract and retain Directors of the highest standard with the most appropriate skills and experience.

The Board does not consider that any existing Director has served on the Board for a period which could materially interfere with their ability to act in the best interests of the Company.

### **Independence of Directors**

Directors have an overriding duty to perform their duties in the best interests of the Company. Directors are required to disclose, on an ongoing basis, any interest that could potentially conflict with those of the Company.

In accordance with the Corporations Act 2001, and under the Board Charter, any Director with a material personal interest in a matter being considered by the Board must declare the possible conflict of interest. They must not be present when the matter is being considered and may not vote on the matter.

### **Operation of the Board**

The Board and its committees meet regularly to review strategies and operational performance. The Chairman and Chief Executive Officer communicate regularly to discuss issues relating to the business and to set Board agendas. In addition, Directors receive regular updates from management on key issues between Board meetings.

The Non-executive Directors meet at least once a year without the presence of management.

### **Board access to information and independent advice**

Directors have unrestricted access to Company records and information, and receive regular detailed financial and operational reports from management.

The Board has in place a procedure by which individual Directors and Board committees may seek independent professional advice at the Company's expense in order to assist them in carrying out their duties. The process for obtaining such advice requires the Director to notify the Chairman in advance. The Chairman will be provided with a copy of the final advice which may, if appropriate, be circulated to the other Directors.

### **BOARD COMMITTEES**

To assist in the effective execution of its responsibilities, the Board has established the following committees:

- Audit Committee;
- Nomination and Remuneration Committee; and
- Compliance Committee.

The general role of the Board committees is to review and analyse policies and strategies that are within their respective charters. The Board committees may not take action or make decisions on behalf of the Board unless specifically mandated by prior Board authority to do so. The role of each committee is described in more detail below.

### Audit Committee

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. The Audit Committee currently comprises the following Directors:

Stephen Chapman	Chairman, Non-executive Director
Russell Tate	Non-executive Director
Max Donnelly	Non-executive Director

All members of the Audit Committee are financially literate and have appropriate skills and experience. The Recommendations state that membership of the Audit Committee should comprise a majority of independent Directors, and the Chairman of the Committee should also be independent. None of the current Directors are independent. However, given the size and relatively small number of independent Directors, the existing composition of the Audit Committee is considered sufficient to meet the responsibilities of the Committee.

The role of the Audit Committee is to monitor and review the effectiveness of the Company's controls in the areas of operation and balance sheet risk, legal and regulatory compliance, and financial reporting. The Audit Committee discharges these responsibilities by:

- overseeing the existence and maintenance of internal controls and accounting systems;
- overseeing the management of risk within the Company;
- overseeing the financial reporting processes to ensure compliance with statutory requirements and accounting standards;
- reviewing the annual and half year financial reports and recommending them for approval by the Board;
- reviewing and making recommendations to the Board regarding the appointment or dismissal of external auditors;
- reviewing the performance of the external auditors and existing audit arrangements;
- overseeing the processes used by management to ensure compliance with laws, regulations and other statutory or professional requirements;
- reviewing, annually, the requirement for an internal audit function; and
- providing written advice to the Board, endorsed by a resolution of the Committee, that the Committee is satisfied that the provision of non-audit services by the auditor during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Audit Committee is required to meet at least twice a year. Additional meetings may be held as the work of the Committee demands. Members of management and the external auditors attend meetings of the Audit Committee by invitation. The Committee assesses annually the performance of the auditor, as well as the relationships between the external auditor and the Company, to ensure independence is maintained.

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee currently comprises the following Directors:

Mark Carnegie	Chairman, Non-executive Director
Maureen Plavsic	Non-executive Director
Max Donnelly	Non-executive Director

The Recommendations require the composition of the Nomination and Remuneration Committee to be a minimum of three Directors, a majority of which must be independent Directors. The Recommendations also require that the Chairman of the Committee is either the chairperson of the Board or an independent Director. Although the current Committee is not in strict compliance with the Recommendations as only one of the Directors is independent, the Company considers that an appropriately independent and adequate evaluation of the Directors occurs.

The Nomination and Remuneration Committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of the Directors and the Chief Executive Officer. It is also responsible for overseeing succession planning, selection and appointment practices and remuneration packages for senior management and employees of the Company. The objectives of the Committee include:

- reviewing, assessing and making recommendations to the Board on the desirable competencies of the Board;
- assessing the performance of the members of the Board;
- overseeing the selection and appointment practices for Non-executive Directors and senior management of the Company;
- developing succession plans for the Board and overseeing the development of succession planning in relation to senior management; and
- assisting the Board in determining appropriate remuneration policies.

The Committee is required to meet at least twice a year. Additional meetings may be held as the work of the Committee demands. Senior management may be invited to the Committee meetings to provide input on management performance and salary packages.

### Compliance Committee

The Compliance Committee currently comprises:

Kate Thompson	Chairman, Company Secretary
Angela Clark	Chief Executive Officer
Merryn Vincent	Chief Operating Officer

Under its charter, the composition of the Compliance Committee requires a minimum of one Director and the Company Secretary. The Board may invite external advisers to become members of the Committee. During 2005 the Board invited representatives of Gilbert + Tobin and Horwath Sydney Partnership to become members.

The role of the Compliance Committee is to assist the Board in ensuring the Company complies with the broadcasting legislation and related legislation and codes, including:

- the Broadcasting Services Act 1992 (Cth);
- the Broadcasting Services Act – Codes of Practice;
- the Broadcasting Services Act Standards;
- the Radio Licence Fees Act 1964 (Cth); and
- the Privacy Act 1988 (Cth).

In addition, the role of the Committee is to assist the Board in ensuring the Company complies with the terms and conditions of its two broadcasting licences.

The Compliance Committee is required to meet at least twice a year. Additional meetings may be held as the work of the Committee demands.

### CORPORATE CONDUCT AND RESPONSIBILITY

The Company seeks to maintain a high standard of ethical behaviour to ensure that its business is conducted with integrity, honesty and fairness at all times.

The Company has adopted a Code of Conduct which is intended to provide direction to its Directors, management, employees and contractors on a range of issues associated with the manner in which the Company conducts its business.

## Code of Conduct

The Company's Code of Conduct has been fully endorsed by the Board and in the coming year will be provided to all Directors and employees as part of their formal orientation process.

The Code of Conduct is designed to ensure that:

- high standards of corporate and individual behaviour are observed by all Directors and employees in the context of their employment;
- Directors and employees are aware of their responsibilities to the Company under their contract of employment; and
- Directors and employees always act in an ethical and professional manner.

The Code of Conduct requires Directors and employees to, among other things:

- avoid conflicts of interest between their personal interests and those of the Company and its clients;
- not take advantage of opportunities arising from their position for personal gain or in competition with the Company; and
- comply with the Company's share trading and other policies.

All Directors and employees have an obligation to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Code of Conduct requires Directors and employees to report any actual or potential breach of the law, the Code of Conduct or other Company policies. The Company promotes and encourages ethical behaviour and provides protection for those who report violations.

## Continuous disclosure and shareholder communications

The Company is committed to providing timely, open and accurate information to shareholders and the market in general. The Board has developed a Continuous Disclosure Policy which sets out the procedures it has adopted to ensure that information concerning the Company is provided in a relevant and timely manner. The Policy will be regularly reviewed to maintain compliance with the law and the Australian Stock Exchange Limited ("ASX") Listing Rules.

The Continuous Disclosure Policy specifies the process for making disclosures to the ASX. It requires the Board, as soon as it becomes aware of information concerning the Company that would be likely to have a material effect on the price or value of the Company's securities, to ensure that the information is released to the Company Announcements Office of the ASX. The Policy also states that, unless required to avoid a false market, the Company's general policy is not to respond to market speculation or rumours.

The Board is committed to keeping shareholders fully informed of all major developments affecting the Company by:

- preparing detailed half-yearly and annual financial reports, and making these available to all shareholders;
- informing shareholders of the key issues affecting the Company; and
- holding an Annual General Meeting which enables shareholders to ask questions of the Board.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. The Company's management and auditors attend the Annual General Meeting to answer questions of shareholders as required.

The Company is in the process of developing a Company website to enable broader access to Company information by shareholders and stakeholders. Amongst other things, the website will contain all relevant announcements made to the market, and related information (e.g. information provided to analysts or media during briefings) after they have been released to the ASX.

### Share trading policy

In addition to the provisions of the Corporations Act 2001 which apply to all employees, the Company has developed specific written guidelines that prohibit Directors and employees (collectively referred to as "Designated Officers") from acquiring, selling or otherwise trading in the Company's shares while in possession of information about the Company that is not in the public domain and is price sensitive. Price sensitive information is information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Under the guidelines, Designated Officers must not deal in the Company's securities at any time if they are in possession of unpublished price sensitive information in relation to those securities.

Designated Officers may only deal in the Company's securities in the following circumstances:

- from not less than one full trading day after, to a maximum of 30 days after, the Company's half-year results announcement, full year results announcement and the Company's Annual General Meeting;
- where the securities are offered under the Company's dividend reinvestment plan or an approved executive or employee share plan;
- to take up entitlements under a rights issue or other offer;
- for the purposes of participating in any share buy-back;
- undertakings to accept, or the acceptance of, a takeover offer; or
- where otherwise required by law or the order of any court or regulatory authority.

Designated Officers may deal in the Company's securities outside the designated trading windows specified above where neither the Designated Officers nor the Company are in possession of unpublished price sensitive information in relation to those securities, and the Designated Officer obtains the approval of:

- the Chairman (where the Designated Officer is a Director or an employee); or
- the Company Secretary (where the Designated Officer is the Chairman).

Any Designated Officer who deals in the Company's securities must notify the Company Secretary (or in the case of dealings by the Company Secretary, the Chairman) once the dealing has occurred. The obligation to notify will not apply to dealings under the dividend reinvestment plan or an approved executive or employee share plan. Prohibitions on dealing in securities apply not only to the acquisition and disposal of shares, but also to acquiring, taking, assigning and releasing of options traded in the options market.

### RISK MANAGEMENT

The Board has in place a number of arrangements and internal controls intended to identify, assess, monitor and manage areas of significant business risk. These include the maintenance of:

- Board committees;
- appropriate policies and procedures that are widely disseminated to, and understood by, employees;
- detailed and regular budgetary, financial and management reporting;
- clearly defined management responsibilities, organisational structures, and strong management reporting systems;
- external audit functions; and
- comprehensive insurance programs.

Management is ultimately responsible to the Board for the Company's system of internal control and risk management. The Audit Committee assists the Board in monitoring this function.

## REMUNERATION POLICIES AND PROCEDURES

### Objectives and policies

The Company has established processes to ensure that the level and composition of remuneration are sufficient, reasonable, and explicitly linked to performance. The objectives of the Company's remuneration policies are to attract, motivate and retain appropriately qualified and experienced executives and other employees capable of discharging their respective responsibilities to enable the Company to achieve its business strategy.

### Remuneration structure

The Nomination and Remuneration Committee is primarily responsible for the review and making of recommendations in relation to issues that impact executive remuneration and development, including remuneration packages and other terms of employment for Directors.

### Non-executive Directors

The Nomination and Remuneration Committee is responsible for recommending to the Board fees applicable to Non-executive Directors. Directors are remunerated at market rates for their services to the Company. Non-executive Directors are paid a fixed annual fee for their services.

### Executive Directors and Management

The Nomination and Remuneration Committee is responsible for recommending to the Board remuneration policies, fees, salaries, short-term and long-term incentives applicable to Executive Directors and management of the Company.

The remuneration policies are designed to drive a performance culture, and to ensure that the way in which employees are recognised and rewarded through remuneration is in the best interests of the shareholders, the Company and the individual. The remuneration policies achieve this by:

- providing remuneration that is market competitive to ensure the Company has the ability to retain and motivate strong performing employees and attract high calibre employees;
- implementing an incentive scheme to ensure executive remuneration is linked to both individual performance and Company performance; and
- undertaking an annual evaluation process on the performance of all executives, the results of which contribute to the determination of any salary adjustment an individual executive may receive.

### Incentive plans

Full details of the benefits and remuneration for Executive and Non-executive Directors are set out in the Remuneration Report.

**Max Donnelly** *Chairman – Non-executive Director*

Max was appointed as Chairman and Non-executive director in November 2004, and is currently a member of the Audit Committee. Max is a partner of Ferrier Hodgson, one of Australia's leading turnaround, insolvency and reconstruction management groups. Max has been involved in insolvency, turnaround consulting and litigation support for over 27 years.

Max is a chartered accountant and holds a Bachelor of Commerce from the University of New South Wales.

**Angela Clark** *Chief Executive Officer*

Angela has been Chief Executive Officer of Macquarie Radio Network since May 2004, and is currently a member of the Compliance Committee. Prior to joining Macquarie Radio Network Limited, Angela was Managing Director of JCDecaux Australia Pty Limited for over six years. She is also a director of Commercial Radio Australia Limited, Digital Radio Australia Pty Limited, JCDecaux Australia Pty Limited, Bangarra Dance Theatre Australia Limited, Biennale of Sydney Limited and Performing Lines Limited.

Angela holds an honours degree in Politics, Philosophy and Economics from Oxford University.

**Mark Carnegie** *Non-executive Director*

Mark joined Macquarie Radio Network Limited as a Director in November 2004, and is currently Chairman of the Nomination and Remuneration Committee. Mark is a principal of Carnegie, Wylie & Company Pty Limited, a boutique advisory house. He has had a near 20 year career as an investor and corporate advisor in New York, London and Sydney. During the past three years Mark has served as a Director of the following listed companies: STW Communications Group Limited (Chairman)\*, Easycall International Limited\*, Buka Limited\*, and Agenix Limited.

Mark holds a Masters degree in Jurisprudence from Oxford University and a Bachelor of Science (Hons) from Melbourne University.

**Russell Tate** *Non-executive Director*

Russell joined Macquarie Radio Network Limited as a Director in November 2004, and is currently a member of the Audit Committee. Russell is Chief Executive Officer of STW Communications Group Limited, and has over 25 years experience in the advertising industry. During the past three years Russell has served as a Director of the listed company STW Communications Group Limited\*.

Russell holds a Bachelor of Commerce (Econ.) from the University of New South Wales.

**Stephen Chapman** *Non-executive Director*

Stephen joined Macquarie Radio Network Limited as a Director in November 2002, and is currently Chairman of the Audit Committee. Stephen is founder and Chairman of Baron Partners Limited, an Australian merchant bank. His career has given him wide experience of the strategic and financial issues affecting public companies and investment markets. During the past three years Stephen has served as a Director of the following listed companies: Blackmores Limited\*, Hostworks Group Limited\*, and Perpetual Trustees Australia Limited.

Stephen holds an MBA from the University of Adelaide and a Bachelor of Commerce from the University of New South Wales.

**Maureen Plavsic** *Non-executive Director*

Maureen joined Macquarie Radio Network Limited as a Director in April 2005, bringing with her a wealth of experience in advertising, media buying and brand marketing. She is currently a member of the Nomination and Remuneration Committee. Maureen previously spent 14 years in various executive roles at the Seven Network, where she was also a Board member for five years. Her roles at Seven Network included Chief Executive Officer of Broadcast Television and prior to that Director of Sales and Corporate Marketing. During the past three years Maureen has served as a Director of the following listed companies: Pacific Brands Group\*, and Seven Network Limited.

**Company Secretary**

The Company Secretary is Kate Thompson. Kate joined Macquarie Radio Network Limited as Company Secretary in November 2004, and is currently Chair of the Compliance Committee. Kate is currently a professional at Carnegie, Wylie & Company Pty Limited ("CWC") where she works closely with STW Communications Group Limited. Kate is a Director of a number of CWC investee companies. She practiced for over four years in a number of leading national law firms before joining CWC in 2002.

Kate holds an LLB (Hons) from Bond University, Queensland.

\* denotes current directorship

Your Directors submit the financial report on the consolidated entity consisting of the Company and its controlled entities for the financial year ended 30 June 2005.

## DIRECTORS

The names of Directors in office at any time during or since the financial year end and the period that they were in office are:

Mark Carnegie	
Stephen Chapman	
Sam Chisholm	resigned 21 July 2004
John Singleton	resigned 7 October 2004
George Buschman	resigned 16 November 2004
Garry Charny	resigned 16 November 2004
Angela Clark	appointed 7 October 2004
Max Donnelly	appointed 16 November 2004
Russell Tate	appointed 16 November 2004
Maureen Plavsic	appointed 22 April 2005

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## PRINCIPAL ACTIVITIES

The principal activity of the consolidated entity in the course of the year was radio broadcasting.

No significant change in the nature of these activities occurred during the year.

## CONSOLIDATED RESULTS AND REVIEW OF OPERATIONS

On 18 April 2005, the Company was admitted to the Official List of the Australian Stock Exchange Limited ("ASX") following an initial public offering of 3,600,000 shares (the "Offer"). The purpose of the offer was to:

- provide the Company with an appropriate capital structure and financial flexibility to pursue growth opportunities;
- obtain additional capital to partially repay the debts owed by the Company to the founding shareholders;
- improve on-going access to capital markets; and
- provide a liquid market for shares.

The proceeds of the Offer were allocated as follows:

▪ partial repayment of debts owed by the Company to the founding shareholders	\$2,000,000
▪ expenses of the offer	\$ 562,000
▪ working capital	\$ 438,000

The net profit of the consolidated entity for the financial year ended 30 June 2005 after income tax amounted to \$4,091,000.

The Chairman's Report and the Chief Executive Officer's Report deals further with the operations and the results of the consolidated entity for the financial year ended 30 June 2005. The Directors have adopted these sections of the Annual Report as part of the Directors' Report.

**MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

No matters or circumstances have arisen since the end of the financial year which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of these operations, or the state of affairs of the consolidated entity in future financial years.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

No significant changes in the state of affairs of the consolidated entity occurred during the financial year, except that the Company was admitted to the Official List of the ASX on 18 April 2005.

**SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of these operations, or the state of affairs of the consolidated entity in future financial years.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

No information is included on the likely developments in the operations of the consolidated entity and the expected results of those operations as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the consolidated entity.

**SHARE OPTIONS**

During the year, 100,012 shares were issued as a result of the exercise of options at an exercise price of \$10.09 per share. The balance of 250,031 options remaining was subject to a 45:1 share split which created 11,251,395 options.

At the date of this report, there are 11,251,395 unissued shares for which options are outstanding with an exercise price of \$0.2243 per share that expire on 3 March 2012.

**MEETINGS OF DIRECTORS**

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors during the financial year were as follows:\*

	Directors' Meetings		Audit Committee		Nomination and Remuneration Committee		Compliance Committee	
	A	B	A	B	A	B	A	B
<b>Directors</b>								
Max Donnelly	3	3	-	-	-	-	-	-
Mark Carnegie	3	3	-	-	-	-	-	-
Stephen Chapman	3	3	-	-	-	-	-	-
Angela Clark	3	3	-	-	-	-	1	1
Russell Tate	3	3	-	-	-	-	-	-
Maureen Plavsic	2	2	-	-	-	-	-	-
John Singleton	-	-	-	-	-	-	-	-
Sam Chisholm	-	-	-	-	-	-	-	-
Garry Charny	-	-	-	-	-	-	-	-
George Buschman	-	-	-	-	-	-	-	-

**Notes:**

\* The information shown above is from 11 February 2005 (the date the Company became a public company) to 30 June 2005.

The first meeting of the Audit Committee was in August 2005.

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.

**REMUNERATION REPORT****Principles used to determine the nature and amount of remuneration**

The performance of the Company depends upon the quality of its Directors and management and therefore the Company must attract, motivate and retain appropriately qualified industry personnel.

The Company embodies the following principles in its remuneration framework:

- i) provide competitive rewards to attract and retain high calibre executives;
- ii) link executive rewards to shareholder value; and
- iii) establish appropriate, demanding performance hurdles in relation to variable executive remuneration.

The Nomination and Remuneration Committee advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for Directors and management. Details of the Nomination and Remuneration Committee are provided in the Corporate Governance Statement.

**Remuneration structure**

In accordance with best practice corporate governance, the structure of Non-executive Director remuneration is separate and distinct from that for Executive Directors and other management.

The total cash remuneration of Non-executive Directors is distinguished from that of Executive Directors and is approved in aggregate by shareholders in general meeting from time to time.

The remuneration structure for Executive Directors and other management is designed to strike an appropriate balance between fixed and variable remuneration, rewarding capability and experience and providing recognition for contribution to the Company's overall goals and objectives. The variable components of remuneration are designed to reflect the particular role of the individual and the extent and capacity to which the role is capable of contributing directly to the financial performance of the Company.

Adjustments to base pay are made annually based on both contractual commitments to the particular individual as well as changes in the scope, duties and responsibilities and performance of the consolidated entity.

**Non-executive Directors' remuneration**

The Board seeks to set remuneration of Non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The remuneration of Non-executive Directors is determined within an aggregate Non-executive Directors' remuneration pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$200,000 per annum. The remuneration of Non-executive Directors does not incorporate any bonus or incentive element.

The Company does not currently have a retirement benefit scheme for Non-executive Directors, other than their individual statutory superannuation benefits which are included as part of their total Non-executive Directors' fee remuneration.

In addition, all Non-executive Directors are encouraged by the Board to hold shares in the Company. It is considered good governance for Directors to have a stake in the Company on whose Board they sit. Further details of Non-executive Directors' remuneration and shareholdings for the financial year ended 30 June 2005 are detailed in Note 21 to the financial statements.

#### **Chief Executive Officer's remuneration**

The Company aims to reward the Chief Executive Officer, Angela Clark, with a level and mix of remuneration commensurate with her position and responsibilities within the Company.

The Company has entered into an employment agreement with Ms Clark for a four year term ending 30 June 2009. After the first year, either the Company or Ms Clark may terminate the agreement without cause with six months notice. The Company may terminate the agreement at any time without notice and without payment in lieu of notice if Ms Clark engages in misconduct warranting the summary termination of her employment. The Company has also lent Ms Clark \$1,413,960 to subscribe for 1,413,960 shares in the Company on interest-free, unsecured and limited recourse terms. These shares were issued to Ms Clark on 14 April 2005.

Ms Clark's shares are subject to escrow arrangements prohibiting her from disposing of any shares until at least 30 June 2006. After that time, Ms Clark will be permitted to dispose of up to 50% of her shares in four equal tranches at the end of each year of the four year term. Proceeds from any sale of Ms Clark's shares must be applied to repay the loan made by the Company. For so long as Ms Clark is employed by the Company, she must retain at least 50% of her shares. The employment agreement provides for the Company to buy back and cancel some or all of Ms Clark's shares in circumstances where the agreement is terminated or expires without the principal amount having been repaid in full.

Further details of Ms Clark's remuneration and shareholding in the Company are detailed below.

Details of remuneration provided to the Directors and the five most senior executives for the 2005 financial year are as follows:

	Primary		Non-Monetary Benefits	Equity	Post Employment	TOTAL
	Cash Salary and Fees	Cash Bonus		Options	Superannuation and Other Benefits	
	\$	\$	\$	\$	\$	\$
<b>Executive Director</b>						
Angela Clark <sup>(i)</sup>	300,000	-	23,241	-	-	323,241
<b>Non-executive Directors</b>						
Max Donnelly	14,215	-	-	-	-	14,215
Mark Carnegie	-	-	-	-	-	-
Stephen Chapman	-	-	-	-	-	-
Russell Tate	-	-	-	-	-	-
Maureen Plavsic	9,872	-	-	-	-	9,872
Sam Chisholm	-	-	-	-	-	-
John Singleton	-	-	-	-	-	-
George Buschman	-	-	-	-	-	-
Garry Charny	-	-	-	-	-	-
<b>TOTAL</b>	<b>324,087</b>	<b>-</b>	<b>23,241</b>	<b>-</b>	<b>-</b>	<b>347,328</b>

(i) The remuneration was paid by a Director-related entity that recharged the consolidated entity \$300,000 for services provided by Angela Clark (refer Note 21 to the financial statements).

	Primary		Non-Monetary Benefits	Equity	Post Employment	TOTAL
	Cash Salary and Fees	Cash Bonus		Options	Superannuation and Other Benefits	
	\$	\$	\$	\$	\$	\$
<b>Executives</b>						
Merryn Vincent	150,000	-	-	-	11,585	161,585
Bo Medved	120,000	-	-	-	10,800	130,800
Chris Parker	163,971	-	-	-	6,758	170,729
John Brennan	150,000	-	-	-	11,585	161,585
Ian Holland	65,269	-	-	-	-	65,269
<b>TOTAL</b>	<b>649,240</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,728</b>	<b>689,968</b>

**Note**

Benefits include, where applicable, superannuation, motor vehicle lease payments and running costs, allowances and FBT.

**DIRECTORS' RELEVANT INTERESTS IN THE SHARES OF THE COMPANY**

The Directors' interests in shares in the Company are shown in Note 21 to the financial statements.

There have been no changes to the Directors' interests between balance date and the date 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 the consolidated entity are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in Note 23 to the financial statements.

In accordance with the advice received from the Audit Committee, the Directors are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The 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; and
- none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's 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.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

**ENVIRONMENTAL ISSUES**

The consolidated entity's operations are not regulated by any significant law of the Commonwealth or a State or Territory relating to the environment.

**DIVIDENDS AND CAPITAL RETURN**

No dividends were paid or declared since the start of the financial year. The Directors have recommended a final unfranked dividend of \$0.03 per fully paid ordinary share together with a return of capital to the shareholders of \$0.03 per share if approved by the shareholders at the Annual General Meeting on 25 November 2005.

**INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The Company's Constitution permits the Company to indemnify each officer of the Company against any liabilities (to the extent permitted by law) in or arising out of the conduct of the business of the Company or a subsidiary of the Company or the discharge of the duties of its officers. It is the Company's policy to indemnify its officers against any claims or from any expenses or costs they incur in carrying out their role, to the extent permitted by law.

The Company has entered into Deeds of Access and Indemnity with each of the Directors, the Company Secretary and Chief Operating Officer. Under the Deeds of Access and Indemnity, the Company has agreed to indemnify these officers against any claim or for any expenses or costs which may arise as a result of work performed in their capacity as officers, to the extent permitted by law. There is no monetary limit to the extent of this indemnity.

During the financial year, the Company paid a premium for an insurance policy for the benefit of these officers. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

**ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS**

The Company is an entity to which Class Order 98/100 issued by the Australian Securities and Investments Commission applies and, accordingly, amounts in the Financial Report and the Directors' Report have been rounded off to the nearest thousand dollars in accordance with this class order.

This report is made in accordance with a resolution of Directors.



**Max Donnelly**  
Director

Dated this 29<sup>th</sup> day of September 2005



Horwath Sydney Partnership  
ABN 30 856 062 171  
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29 September 2005

The Board of Directors  
Macquarie Radio Network Limited  
Level 1, Building C  
33-35 Saunders Street  
PYRMONT NSW 2009

#### AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with my audit of the financial report of Macquarie Radio Network Limited for the year ended 30 June 2005 and in accordance with the provisions of the Corporations Act 2001.

As lead auditor I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this audit.

A handwritten signature in black ink, appearing to read "David Green".

David Green  
Partner

**HORWATH**  
**Sydney Partnership**

For the year ended 30 June 2005

	Notes	Consolidated Entity		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Total revenues from operating activities</b>	2	41,992	42,733	681	1,127
Employee benefits		(19,784)	(19,882)	-	-
Depreciation and amortisation	3	(787)	(726)	(621)	(584)
Legal, professional and consulting		(1,592)	(2,479)	(663)	(1,348)
Rent		(988)	(966)	-	(539)
Revenue-related expenses (royalties, licences and commissions)		(3,415)	(3,261)	-	-
Programming content		(3,318)	(2,038)	-	-
Utilities and telephone		(656)	(812)	-	-
Insurances		(439)	(470)	(125)	(53)
Other		(3,465)	(4,231)	(261)	(206)
Borrowing costs	3	(1,469)	(1,782)	(1,465)	(1,775)
<b>Profit (loss) from ordinary activities before income tax</b>		6,079	6,086	(2,454)	(3,378)
Income tax attributable to operating profit (loss)/benefit	4	(1,988)	6,905	748	3,553
<b>Profit (loss) from ordinary activities after income tax</b>	20	<u>4,091</u>	<u>12,991</u>	<u>(1,706)</u>	<u>175</u>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<u>4,091</u>	<u>12,991</u>	<u>(1,706)</u>	<u>175</u>
Basic earnings per share (EPS) (cents per share)	18	6.2			
Diluted earnings per share (EPS) (cents per share)	18	5.1			

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

Macquarie Radio Network Limited

For the year ended 30 June 2005

	Notes	Consolidated Entity		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>CURRENT ASSETS</b>					
Cash	6	5,557	1,140	1,706	50
Receivables	7	7,256	6,639	163	7,416
Other	8	1,138	1,261	51	7
<b>TOTAL CURRENT ASSETS</b>		<b>13,951</b>	<b>9,040</b>	<b>1,920</b>	<b>7,473</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	7	1,042	-	11,076	8,855
Other financial assets	10	306	-	1,004	698
Property, plant and equipment	9	5,578	5,943	4,799	5,114
Deferred tax asset	11	5,709	7,706	5,709	7,706
Intangibles	12	15,203	15,203	-	-
Other	8	2,043	2,095	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>29,881</b>	<b>30,947</b>	<b>22,588</b>	<b>22,373</b>
<b>TOTAL ASSETS</b>		<b>43,832</b>	<b>39,987</b>	<b>24,508</b>	<b>29,846</b>
<b>CURRENT LIABILITIES</b>					
Payables	13	4,889	4,483	272	335
Interest-bearing liabilities	14	31	4,511	-	4,500
Provisions	15	1,004	740	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>5,924</b>	<b>9,734</b>	<b>272</b>	<b>4,835</b>
<b>NON-CURRENT LIABILITIES</b>					
Payables	13	-	7,575	4,013	14,322
Interest-bearing liabilities	14	10,800	17,946	10,800	17,914
Deferred tax liability	16	792	801	792	801
Provisions	15	121	190	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11,713</b>	<b>26,512</b>	<b>15,605</b>	<b>33,037</b>
<b>TOTAL LIABILITIES</b>		<b>17,637</b>	<b>36,246</b>	<b>15,877</b>	<b>37,872</b>
<b>NET ASSETS/(DEFICIENCY)</b>		<b>26,195</b>	<b>3,741</b>	<b>8,631</b>	<b>(8,026)</b>
<b>EQUITY</b>					
Contributed equity	17	19,763	1,400	19,763	1,400
Reserves	19	-	-	147	147
Retained profits/(Accumulated losses)	20	6,432	2,341	(11,279)	(9,573)
<b>TOTAL EQUITY (DEFICIENCY)</b>		<b>26,195</b>	<b>3,741</b>	<b>8,631</b>	<b>(8,026)</b>

The accompanying notes form part of these financial statements.

For the year ended 30 June 2005

	Notes	Consolidated Entity		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Receipts from customers		41,195	42,801	585	567
Payments to suppliers and customers		(32,873)	(33,508)	(1,201)	(1,524)
Interest received		156	64	29	-
Borrowing costs		(1,469)	(1,782)	(1,465)	(1,775)
Net cash (used in) provided by operating activities	27(b)	7,009	7,574	(2,052)	(2,732)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Payments for property, plant and equipment		(539)	(611)	(421)	(422)
Payments for investment		(197)	-	(197)	-
Net cash used in investing activities		(736)	(611)	(618)	(422)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from borrowings		-	-	6,171	8,511
Repayment of borrowings		(19,200)	(5,999)	(19,189)	(5,217)
Proceeds from share issue		17,344	-	17,344	-
Net cash (used in) provided by financing activities		(1,856)	(5,999)	4,326	3,383
<b>Net increase (decrease) in cash held</b>		4,417	964	(1,656)	229
Cash at beginning of year		1,140	175	50	(179)
<b>Cash at the end of the year</b>	27(a)	5,557	1,140	1,706	50

The accompanying notes form part of these financial statements.

**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES**

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

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the significant accounting policies adopted by the consolidated entity in the preparation of this financial report.

**A) PRINCIPLES OF CONSOLIDATION**

The consolidated financial statement incorporates the assets and liabilities of all entities controlled by Macquarie Radio Network Limited (parent entity) as at 30 June 2005 and the results of all controlled entities for the year ended on that date. Macquarie Radio Network Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

**B) INCOME TAX**

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense shown in the Statement of Financial Performance is based on the pre-tax accounting profit adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of pre-tax accounting profit and taxable income, are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits relating to timing differences are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits relating to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Macquarie Radio Network Limited and its wholly-owned controlled entities have been consolidated for tax purposes under the Tax Consolidation System. Macquarie Radio Network Limited, as the head entity in the tax consolidated group, is responsible for recognising the current and deferred tax assets and tax liabilities of the consolidated group. The group notified the Australian Taxation Office on 10 November 2004 that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered into an agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the taxable profit of the tax consolidated group.

**C) RECOVERABLE AMOUNT OF NON-CURRENT ASSETS**

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

The carrying amounts of non-current assets are reviewed annually to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of the non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing the recoverable amount, the relevant cash flows have been discounted to their present value.

#### **D) INVESTMENTS**

Investments in controlled entities are measured on the cost basis.

The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments.

#### **E) INTANGIBLE ASSETS**

The radio licences are recognised upon consolidation of the two controlled entities. The licences have been valued at cost with no amortisation applied, as the value of the licences have indefinite useful lives.

#### **F) CONTRIBUTED EQUITY**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company or the fair value of the shares issued in exchange for non-monetary assets.

Any transaction costs arising from the issue of ordinary shares is recognised directly in equity.

#### **G) EMPLOYEE BENEFITS**

##### **(i) Wages and salaries, annual 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 creditors 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 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 expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

##### **(iii) Employee benefit on-costs**

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

#### **H) BORROWING COSTS**

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest, amortisation of discounts or premiums, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance lease charges.

#### **I) CASH**

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than three months from the date of acquisition and net of bank overdrafts.

**J) DIVIDENDS**

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

**K) EARNINGS PER SHARE****(i) Basic earnings per share**

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the 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.

**L) COMPARATIVE FIGURES**

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

**M) REVENUE RECOGNITION**

Revenue from rendering of a service is recognised in the month that the advertisement is broadcast, except where advertising is provided under a non-cancellable contract when the income is recognised in equal monthly instalments over the term of the contract.

All revenue is stated net of the amount of goods and services tax (GST).

**N) RECEIVABLES**

All trade debtors are recognised at the amounts receivable as they are due for settlement, on average, 30 days from date of recognition.

Collectibility of trade debtors is reviewed on an on-going basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to the collection exists.

**O) DEPRECIATION OF PLANT AND EQUIPMENT**

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessment for major items. The depreciation rates used are as follows:

<b>Fixed Asset Class</b>	<b>Rates</b>	<b>Basis</b>
Plant and Equipment	10 - 33%	Straight Line
Leased Plant and Equipment	15 - 25%	Straight Line

Where items of plant and equipment have separately identifiable components which are subject to regular replacement, those components are assigned useful lives distinct from the items of plant and equipment to which they relate.

**P) LEASEHOLD IMPROVEMENTS**

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the consolidated entity, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over 15 years.

**Q) TRADE AND OTHER CREDITORS**

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

**R) INTEREST-BEARING LIABILITIES**

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

**S) LEASE**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are amortised on a straight line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. This basis is representative of the pattern of benefits derived from the lease assets.

**T) CONTRA INCOME AND EXPENDITURE**

Contra income and expenditure are respectively recognised in the Statement of Financial Performance in the month that the advertisement is broadcast and the benefit of the contra agreement is received or utilised.

The net difference between the Company's liability to provide airtime and the benefits to be received under the contra agreement is reflected in the Statement of Financial Position to the extent that such airtime or benefit will ultimately be provided or received.

**U) ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Company is preparing for and managing the transition to Australian Equivalents of International Financial Reporting Standards (AIFRS) effective for financial reporting periods commencing on or after 1 January 2005. The adoption of AIFRS will be reflected in the Company's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated.

The Company's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. An AIFRS committee is overseeing and managing the Company's transition to AIFRS. The impact of the alternative treatments and elections under AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards", has been considered where applicable.

The key material differences in the Company's accounting policies on conversion to AIFRS and the financial effect of these differences where known are detailed at Note 30.

	Consolidated Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>NOTE 2 - REVENUE</b>				
<b>Revenue from operating activities</b>				
- sales revenue	41,624	42,555	-	-
- recoveries	189	114	629	584
	<u>41,813</u>	<u>42,669</u>	<u>629</u>	<u>584</u>
<b>Revenue from outside the operating activities</b>				
Rents and sub-lease rentals	-	-	-	539
Interest:				
- Director's loans	23	-	23	-
- Other third parties	156	64	29	-
Other revenue	-	-	-	4
	<u>179</u>	<u>64</u>	<u>52</u>	<u>543</u>
Revenue from ordinary activities	<u>41,992</u>	<u>42,733</u>	<u>681</u>	<u>1,127</u>
<b>NOTE 3 - PROFIT (LOSS) FROM ORDINARY ACTIVITIES</b>				
Borrowing costs paid or payable to:				
- other persons	1,469	1,775	1,465	1,775
- finance lease charges	-	7	-	-
Total borrowing costs	<u>1,469</u>	<u>1,782</u>	<u>1,465</u>	<u>1,775</u>
Depreciation of property, plant and equipment				
Amortisation of non-current assets:				
- capitalised leased assets	14	16	-	-
- leasehold improvements	201	196	196	193
	<u>787</u>	<u>726</u>	<u>621</u>	<u>584</u>
Bad and doubtful debts				
- bad debts written off	217	113	-	-
- doubtful debts	68	179	-	-
	<u>285</u>	<u>292</u>	<u>-</u>	<u>-</u>
Rental expense on operating leases	<u>988</u>	<u>966</u>	<u>-</u>	<u>539</u>
Loss on disposal of fixed assets	<u>9</u>	<u>-</u>	<u>8</u>	<u>-</u>

	Consolidated Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>NOTE 4 - INCOME TAX EXPENSE</b>				
The prima facie tax payable on operating profit (loss) is reconciled to the income tax expense as follows:				
Prima facie tax payable on operating profit (loss) before income tax of 30% (2004:30%)	1,824	1,826	(736)	(1,013)
<b>Add</b>				
Tax effect of:				
- non-allowable items	99	105	18	-
- allowable deduction for IPO costs	(45)	-	(45)	-
- future income tax benefit not previously recognised in respect of:				
- tax losses	-	(9,399)	-	(2,522)
- timing differences	-	563	-	(18)
Adjustment to capitalised losses	110	-	15	-
<b>Income tax (benefit)/expense attributable to profit from ordinary activities</b>	<b>1,988</b>	<b>(6,905)</b>	<b>(748)</b>	<b>(3,553)</b>

**NOTE 5 – DIVIDENDS AND CAPITAL RETURN**

Franking credits available for subsequent financial years based on a tax rate of 30% (2004:30%).

-	-	-	-
---	---	---	---

On 29 September 2005, the Directors recommended the payment of a final unfranked dividend of \$0.03 per share. The aggregate amount of the proposed dividend expected to be paid in early December 2005, but not recognised as a liability is:

2,824	-	2,824	-
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Also on 29 September 2005, the Directors resolved that the shareholders at the Annual General Meeting on 25 November 2005 be asked to approve a return of capital to the shareholders of \$0.03 per share which will be paid as soon as possible (subject to ASX Listing Rules requirements) after approval by shareholders.

**NOTE 6 - CASH**

Cash at bank and on hand	5,557	1,140	1,706	50
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	Consolidated Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>NOTE 7 - RECEIVABLES</b>				
<b>Current</b>				
Trade debtors	7,377	6,816	-	-
Less: provision for doubtful debts	(508)	(440)	-	-
	<u>6,869</u>	<u>6,376</u>	<u>-</u>	<u>-</u>
Other debtors	387	263	163	66
Amounts receivable from controlled entities	-	-	-	7,350
	<u>7,256</u>	<u>6,639</u>	<u>163</u>	<u>7,416</u>
<b>Non-current</b>				
Amounts receivable from:				
- controlled entities	-	-	10,034	8,855
- Director loan (a)	1,042	-	1,042	-
	<u>1,042</u>	<u>-</u>	<u>11,076</u>	<u>8,855</u>

(a) A loan to Angela Clark was approved by the Directors to enable her to purchase shares in the Company. The loan is interest-free and repayable in full by 30 June 2009. The loan has been discounted to present value in accordance with applicable accounting standards.

**NOTE 8 - OTHER ASSETS**

<b>Current</b>				
Prepayments	<u>1,138</u>	<u>1,261</u>	<u>51</u>	<u>7</u>
<b>Non-current</b>				
Deferred expenditure	<u>2,043</u>	<u>2,095</u>	<u>-</u>	<u>-</u>

	Consolidated Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>NOTE 9 - PROPERTY, PLANT &amp; EQUIPMENT</b>				
Leasehold Improvements				
At cost	3,180	3,173	2,970	2,963
Less: accumulated amortisation	(672)	(471)	(474)	(278)
	<u>2,508</u>	<u>2,702</u>	<u>2,496</u>	<u>2,685</u>
Plant and Equipment				
(a) Plant and equipment				
At cost	4,790	4,538	3,442	3,255
Less: accumulated depreciation	(1,752)	(1,343)	(1,139)	(826)
	<u>3,038</u>	<u>3,195</u>	<u>2,303</u>	<u>2,429</u>
(b) Leased plant and equipment				
At cost	56	56	-	-
Less: accumulated amortisation	(24)	(10)	-	-
	<u>32</u>	<u>46</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u><u>5,578</u></u>	<u><u>5,943</u></u>	<u><u>4,799</u></u>	<u><u>5,114</u></u>

**Movement in Carrying Amounts**

Movement in the carrying amounts for each class of property plant and equipment between the beginning and end of the financial year.

	Leasehold Improvements \$'000	Plant and Equipment \$'000	Leased Plant & Equipment \$'000	Total assets \$'000
<b>Consolidated Entity</b>				
Balance at the beginning of the year	2,702	3,195	46	5,943
Additions	7	550	-	557
Disposals	-	(135)	-	(135)
Depreciation/Amortisation expense	(201)	(572)	(14)	(787)
Carrying amount at the end of the year	<u><u>2,508</u></u>	<u><u>3,038</u></u>	<u><u>32</u></u>	<u><u>5,578</u></u>
<b>Parent Entity</b>				
Balance at the beginning of the year	2,685	2,429	-	5,114
Additions	7	324	-	331
Disposals	-	(25)	-	(25)
Depreciation/Amortisation expense	(196)	(425)	-	(621)
Carrying amount at the end of the year	<u><u>2,496</u></u>	<u><u>2,303</u></u>	<u><u>-</u></u>	<u><u>4,799</u></u>

Consolidated Entity		Parent Entity	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

**NOTE 10 - OTHER FINANCIAL ASSETS****Non-current**

Shares in controlled entities – at cost	-	-	698	698
Shares in other corporations – at cost	306	-	306	-
	<u>306</u>	<u>-</u>	<u>1,004</u>	<u>698</u>

	Country of Incorporation	Ownership Interest		Amount of Parent Entity's Investment	
		2005	2004	2005	2004
		%	%	\$'000	\$'000
Harbour Radio Pty Limited	Australia	100	100	146	146
Radio 2CH Pty Limited	Australia	100	100	552	552
Digital Radio Broadcasting Australia Pty Limited	Australia (i)	11	-	306	-
				<u>1,004</u>	<u>698</u>

(i) The principal activity of Digital Radio Broadcasting Australia Pty Limited is the development of digital radio in Australia.

**NOTE 11 - DEFERRED TAX ASSET**

Future income tax benefit	<u>5,709</u>	<u>7,706</u>	<u>5,709</u>	<u>7,706</u>
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The future income tax benefit is made up of the following estimated tax benefits:

- timing differences	844	703	844	703
- tax losses	4,865	7,003	4,865	7,003
	<u>5,709</u>	<u>7,706</u>	<u>5,709</u>	<u>7,706</u>

**NOTE 12 - INTANGIBLES****Non-current**

Radio licences – at cost	<u>15,203</u>	<u>15,203</u>	<u>-</u>	<u>-</u>
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	Consolidated Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

**NOTE 13 - PAYABLES****Current**

## Unsecured liabilities

Trade creditors	1,284	1,701	52	102
Other creditors and accruals*	3,043	2,183	220	233
Employee entitlements	561	599	-	-

\* Includes secured accrued interest

**Non-current**

## Amounts payable to:

- shareholders	-	7,575	-	7,575
- controlled entities	-	-	3,395	3,395
- controlled entities – tax consolidation	-	-	618	3,352
	-	7,575	4,013	14,322

**NOTE 14 - INTEREST-BEARING LIABILITIES****Current**

## Secured liabilities

Lease liability (Note 24(a)), (b)	31	11	-	-
Bank loans (secured) (a)	-	4,500	-	4,500
	31	4,511	-	4,500

**Non-current**

## Secured liabilities

Lease liability (Note 24(a)), (b)	-	32	-	-
Bank loans (a)	10,800	17,914	10,800	17,914
	10,800	17,946	10,800	17,914

## (a) Bank Facility Security

(i) The bank facility is secured by a Cross Deed of Covenant between the Company and its controlled entities, Radio 2CH Pty Limited and Harbour Radio Pty Limited. The Covenant is supported by a first registered fixed and floating charge over all the assets and undertaking of each entity.

(ii) The carrying amount of assets pledged as security is as follows:

- total non-current assets	29,881	30,947	22,588	22,373
- total assets	43,832	39,987	24,508	29,846

## (b) Lease Liability

The lease liability is secured by a charge over the leased assets which have a carrying amount of

	32	46	-	-
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**NOTE 15 - PROVISIONS****Current**

Employee benefits	90	155	-	-
Provision for claims/defamations and associated legals	914	585	-	-
	<u>1,004</u>	<u>740</u>	<u>-</u>	<u>-</u>

## Movements in provisions

Movements in provisions during the financial year, other than employee benefits:

Carrying amount at start of year	585	-	-	-
Additional provision recognised	329	585	-	-
Carrying amount at end of year	<u>914</u>	<u>585</u>	<u>-</u>	<u>-</u>

**Non-current**

Employee benefits	<u>121</u>	<u>190</u>	<u>-</u>	<u>-</u>
(a) Total employee benefits	<u>772</u>	<u>944</u>	<u>-</u>	<u>-</u>
(b) Number of employees at year end	101	139		-

**NOTE 16 - DEFERRED TAX LIABILITY**

Provision for deferred income tax	<u>792</u>	<u>801</u>	<u>792</u>	<u>801</u>
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**NOTE 17 - CONTRIBUTED EQUITY****Issued and Paid up Capital**

82,902,940 fully paid ordinary shares  
(2004: 1,400,170)  
1 C Class share fully paid to \$1  
(2004: nil)

82,902,940 fully paid ordinary shares (2004: 1,400,170)	19,763	1,400	19,763	1,400
1 C Class share fully paid to \$1 (2004: nil)	-	-	-	-
	<u>19,763</u>	<u>1,400</u>	<u>19,763</u>	<u>1,400</u>

**Movements in Ordinary Share Capital**

	Date	Number of Shares	Issue Price \$	\$'000
Opening balance	30 June 2004	1,400,170	1.00	1,400
Exercise of options	11 March 2005	82,010	10.09	828
Exercise of options	11 March 2005	18,002	10.09	182
Share issue	11 March 2005	662	45.32	30
Share split 45:1	11 March 2005	66,037,136	-	-
Share issue	14 April 2005	1,413,960	0.72 (i)	1,019
Employee share issue	14 April 2005	150,000	-	-
IPO share issue	14 April 2005	3,000,000	1.00	3,000
Share issue	9 June 2005	10,800,000	1.30	14,040
Employee share issue	10 June 2005	1,000	-	-
		82,902,940		20,499
Less: transaction costs arising on issues of shares				(736)
Closing balance		82,902,940		19,763

- (i) The \$1 issue price has been discounted to its present value due to the terms of a loan provided to the Chief Executive Officer to acquire those shares.

**a) Ordinary Shares**

Ordinary shares entitle the shareholders to participate in dividends and each share is entitled to one vote at shareholders' meetings. On the winding up of the Company, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidation.

**b) C Class Share**

The Company has 1 C Class share on issue with the following rights:

The C Class share is fully paid.

The holder is entitled to be paid a cumulative proportion of any dividends declared, returns of share capital or any other payment made by the Company to the ordinary shareholders. The proportion the holder is entitled to is the proportion that the number of shares which would be held by the C class shareholder if it exercised the options over shares held by it would comprise of the total issued ordinary shares in the capital of the Company (**Proportion**).

The holder has the right to participate to the extent of the holder's Proportion in any bonus issue or pro rata rights offer to ordinary shareholders.

The C Class share does not confer on the holder a right to vote at general meetings except on certain proposals including:

- to reduce the Company's share capital;
- to affect rights attached to the C Class share;
- to wind up the Company;
- to dispose of the whole Company's property, business and undertaking; or on a resolution to approve the terms of a buy-back agreement; and
- during a period where a dividend is in arrears and during the winding up of the Company,

and the number of votes that shall be cast by the holder shall be equivalent to the holder's Proportion.

The C Class share cannot be transferred except in limited circumstances.

Upon redemption or in a winding up or other repayment of capital or participation in assets, the C Class holder is entitled to receive, in priority, a cash payment consisting of \$1 per share and the amount of any preferential dividend accrued (whether declared or not) but unpaid and of any arrears of that dividend.

The C Class share will be redeemed by the Company for a price of \$1 on the date that the C Class share holder no longer holds any options, or the options expire.

**c) Dividend Reinvestment Plan**

The Company has adopted (but not implemented) a Dividend Reinvestment Plan under which holders of ordinary shares may elect to have all or part of their dividend entitlement satisfied by the issue of new ordinary shares rather than being paid cash. The Directors will advise shareholders prior to payment of the proposed dividend if the Dividend Reinvestment Plan will be operative in respect of that dividend.

**d) Shares Under Options**

During the year 100,012 shares were issued as a result of the exercise of options at an exercise price of \$10.09 per share. The balance of 250,031 options remaining was subject to a 45:1 share split which created 11,251,395 options.

At the date of this report, there are 11,251,395 unissued shares for which options are outstanding with an exercise price of \$0.2243 per share that expire on 3 March 2012.

**e) Capital Return**

Refer Note 5 as regards the proposed return of capital.

**NOTE 18 - EARNINGS PER SHARE**

	Consolidated Entity 2005
Basic EPS (cents per share)	6.2
Diluted EPS (cents per share)	5.1
Weighted average number of ordinary shares used as the denominator in calculating basic EPS	65,969,599
Weighted average number of ordinary shares used as the denominator in calculating diluted EPS	80,352,877

Comparative figures are not required as the company was a proprietary limited company in the previous year

	Consolidated Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

**NOTE 19 - RESERVES**

General reserve	-	-	147	147
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This general reserve is a result of a capital gain arising on the sale of a loan acquired from a third party at less than its full value.

**NOTE 20 - RETAINED PROFITS/(ACCUMULATED LOSSES)**

Balance at the beginning of the year	2,341	(10,650)	(9,573)	(9,748)
Net profit (loss)	4,091	12,991	(1,706)	175
Balance at the end of the financial year	6,432	2,341	(11,279)	(9,573)

**NOTE 21 - DIRECTOR AND EXECUTIVE DISCLOSURES****Directors**

The following persons were Directors of Macquarie Radio Network Limited during the financial year:

**Chairman – Non-executive**

Max Donnelly (appointed 16 November 2004)

**Executive Director**

Angela Clark (appointed 7 October 2004)

**Non-executive Directors**

Mark Carnegie

Stephen Chapman

Russell Tate (appointed 16 November 2004)

Sam Chisholm (resigned 21 July 2004)

John Singleton (resigned 7 October 2004)

George Buschman (resigned 16 November 2004)

Garry Charny (resigned 16 November 2004)

Maureen Plavsic (appointed 22 April 2005)

**Executives (other than Directors) with the greatest authority for strategic direction and management**

The following persons were the five executives with the greatest authority for strategic direction and management of the consolidated entity ("specified executives") during the financial year:

Name	Position	Employer
- Merryn Vincent	Chief Operating Officer	Radio 2CH Pty Limited
- Bojo Medved	Chief Financial Officer	Radio 2CH Pty Limited
- Chris Parker	Sales Director	Harbour Radio Pty Limited
- John Brennan	2GB Program Director	Harbour Radio Pty Limited
- Ian Holland	2CH Program Director	Radio 2CH Pty Limited

**Transactions of Directors and Director-Related Entities**

The interests of the Directors and their Director-related entities in the shares of the Company as at 30 June 2005 are as follows:

Directors	Total Shares	
	2005	2004
Mark Carnegie	12,151,485	252,031
Angela Clark	1,438,960	-
Stephen Chapman	102,000	-
Russell Tate	95,000	-
Max Donnelly	70,000	-
Maureen Plavsic	25,000	-
<b>Total</b>	<b>13,882,445</b>	<b>252,031</b>

**Directors' Transactions in Shares**

With the exception of Mark Carnegie and Angela Clark, each of the Directors (and their related Director-entities) acquired their shares in the Company through the Company's Initial Public Offering in April 2005

Of the total shares held by Angela Clark, 1,413,960 shares were acquired by Ms Clark on 14 April 2005 via a loan made to Ms Clark from the Company. The remaining 25,000 shares were acquired by Ms Clark through the Company's Initial Public Offering. Refer to page 18 for further information.

**Other Transactions with Directors and Director-Related Entities**

Fees paid to Ferrier Hodgson Pty Limited for services provided by Max Donnelly during the year were \$351,873. (2004:nil).

Fees paid to Macquarie Media Pty Limited (a Director-related company of Mark Carnegie and Angela Clark) for services provided by Angela Clark during the year were \$300,000. (2004:nil).

**NOTE 22 - CONTINGENT LIABILITIES**

A Deed of Cross Guarantee exists between Macquarie Radio Network Limited, Harbour Radio Pty Limited and Radio 2CH Pty Limited in respect to banking facilities.

**NOTE 23 – AUDITOR'S REMUNERATION**

During the year, the following remuneration was paid to the auditor of the parent entity:

	Consolidated Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Amounts received or due and receivable by the parent entity auditor's for:	\$	\$	\$	\$
- audit and review of financial reports and other audit work under the Corporations Act 2001	72	69,	57	50
- services in relation to the Initial Public Offering	131	-	131	-
- accounting and taxation services	79	37	59	9
	<u>282</u>	<u>106</u>	<u>247</u>	<u>59</u>

**NOTE 24 - CAPITAL and LEASING COMMITMENTS**

## (a) Finance lease commitments

Payable				
- not longer than one year	31	14	-	-
- longer than one year but not longer than five years	-	34	-	-
Minimum lease payments	31	48	-	-
Less future finance charges	-	(5)	-	-
Total lease liability	31	43	-	-

## Represented by

Current liability (Note 14)	31	11	-	-
Non-current liability (Note 14)	-	32	-	-
	31	43	-	-

## (b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable				
- not longer than one year	862	848	512	497
- longer than one year but not longer than five years	2,937	3,225	2,198	2,137
- longer than five years	4,511	5,085	4,512	5,085
	8,310	9,158	7,222	7,719

**NOTE 25 - RELATED PARTY TRANSACTIONS****Directors**

Disclosures relating to Directors and specified executives are set out in Note 21. Remuneration of Directors and Executives is set out in the Remuneration Report included in the Directors' Report on pages 17 to 19.

**Wholly-Owned Group**

The wholly-owned group consists of Macquarie Radio Network Limited and its wholly-owned controlled entities. Ownership interests in these controlled entities are set out in Note 10.

Transactions between Macquarie Radio Network Limited and other entities within the wholly-owned group during the years ended 30 June 2005 and 2004 consisted of:

- loans advanced by Macquarie Radio Network Limited;
- the provision of accounting and administrative assistance; and
- the provision of premises.

All transactions were on commercial terms and conditions, apart from the loan transactions as referred below.

During the financial year, the parent entity received management fees of \$628,557 (2004: \$584,056) from Harbour Radio Pty Limited and Radio 2CH Pty Limited on commercial terms and conditions.

The consolidated entity and its controlled entities maintain loan accounts, which can fluctuate throughout the year. There are no fixed terms of repayment on these amounts, which are interest free. Amounts owing by and to the controlled entities are set out in Notes 7 and 13 respectively.

**NOTE 26 - FINANCIAL INSTRUMENTS****a) Interest Rate Risk**

The consolidated entity's exposure to interest rate risk (which is the risk that a financial instrument's value will fluctuate as a result of the changes in market interest rates) and the effective weighted average interest rate on classes of financial assets and financial liabilities are as follows:

	Floating Interest Rate	Fixed Interest Rate Maturing in 1 Year or Less	Fixed Interest Rate Maturing Between 1 and 5 Years	Non-Interest Bearing	Total
<b>As at 30 June 2005</b>					
Cash	5,557	-	-	-	5,557
Receivables	-	-	-	8,298	8,298
Investments	-	-	-	306	306
Total Financial Assets	<u>5,557</u>	<u>-</u>	<u>-</u>	<u>8,604</u>	<u>14,161</u>
Weighted Average Interest Rate (pa)	4.85%	-			
<b>As at 30 June 2005</b>					
Payables	-	-	-	4,889	4,889
Lease Liabilities	-	31	-	-	31
Bank Loans	10,800	-	-	-	10,800
Total Financial Liabilities	<u>10,800</u>	<u>31</u>	<u>-</u>	<u>4,889</u>	<u>15,720</u>
Weighted Average Interest Rate (pa)	7.94%	9.56%			
<b>As at 30 June 2004</b>					
Cash	1,140	-	-	-	1,140
Receivables	-	-	-	6,639	6,639
Total Financial Assets	<u>1,140</u>	<u>-</u>	<u>-</u>	<u>6,639</u>	<u>7,779</u>
Weighted Average Interest Rate (pa)	4.6%				
Payables	-	-	-	12,058	12,058
Lease Liabilities	-	11	32	-	43
Bank Loans	22,414	-	-	-	22,414
Total Financial Liabilities	<u>22,414</u>	<u>11</u>	<u>32</u>	<u>12,058</u>	<u>34,515</u>
Weighted Average Interest Rate (pa)	10.08%	9.56%	9.56%		

**b) Credit Risk**

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial statements.

**c) Net Fair Values**

The net fair value of the consolidated entity's financial assets and liabilities are equal to their carrying value as disclosed in Note 26 a) above.

	Consolidated Entity		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>27 - CASH FLOW INFORMATION</b>				
<b>(a) Reconciliation of cash</b>				
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
Cash on hand and at bank	5,557	1,140	1,706	50
Bank overdrafts	-	-	-	-
	<u>5,557</u>	<u>1,140</u>	<u>1,706</u>	<u>50</u>
<b>(b) Reconciliation of cash flow from operations</b>				
Profit (loss) from ordinary activities after income tax	4,091	12,991	(1,706)	175
Non-cash flows in ordinary activities:				
Depreciation and amortisation	787	726	621	584
Charges to provisions	263	663	-	-
Loss on disposal of fixed assets	8	-	8	-
Movement in tax consolidation loan account	-	-	(2,735)	3,352
Movement in deferred tax assets	1,996	(7,706)	1,996	(7,706)
Movement in deferred tax liabilities	(9)	801	(9)	801
Discounted receivable interest income	(23)	-	(23)	-
Changes in assets and liabilities:				
(Increase)/Decrease in trade and other debtors	(685)	63	(96)	(21)
(Increase)/Decrease in prepayments	176	653	(45)	(7)
Increase/(Decrease) in trade creditors and accruals	405	(617)	(63)	90
	<u>7,009</u>	<u>7,574</u>	<u>(2,052)</u>	<u>(2,732)</u>

**28 - SEGMENT INFORMATION**

The consolidated entity operates in a single business segment, being radio broadcasting, in a sole geographical location being Australia.

**29 - COMPANY DETAILS***Registered Office*

Level 1, Building C  
33-35 Saunders Street  
PYRMONT NSW 2009

*Principal Place of Business*

Level 1, Building C  
33-35 Saunders Street  
PYRMONT NSW 2009

**NOTE 30 - IMPACTS OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Company is preparing for and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial reporting periods commencing on or after 1 January 2005. The adoption of AIFRS will be reflected in the Company's financial statements for the year ending 30 June 2006. On first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated.

The Company's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" has been considered where applicable.

The Directors are of the opinion that the key material differences in the Company's accounting policies on conversion to AIFRS and the financial effect of these differences where known are as follows. Users of the financial statements should, however, note that the amounts disclosed could change if the interpretation of the AIFRS requirements changes due to the continuing transition work of the Directors, possible amendments to AIFRS Standards and Interpretations thereof, and developments in practice relating to the interpretation and application of those Standards and Interpretations.

	Notes	Consolidated Entity		Parent Entity	
		30 June 2005 \$'000	1 July 2004 \$'000	30 June 2005 \$'000	1 July 2004 \$'000
<b>(a) Reconciliation of equity as presented under AGAAP to that under AIFRS</b>					
Total equity under AGAAP		26,195	3,741	8,631	(8,026)
<i>Adjustments to retained earnings (net of tax)</i>					
Employee benefit expense	(i)	(395)	-	(395)	-
Total adjustments to retained earnings		(395)	-	(395)	-
<i>Adjustments to contributed equity</i>					
Employee benefit expense	(i)	395	-	395	-
Total adjustment to retained earnings		395	-	395	-
Total equity under AIFRS		26,195	3,741	8,631	(8,026)

(i) This amount represents the discount calculated on an interest-free loan provided to a Director to enable purchase of securities in the parent entity. This amount has been treated as a reduction of share capital in the present AGAAP Financial report. The corresponding entry, being a related party receivable, remains unchanged.

The Directors of Macquarie Radio Network Limited declare that:

- (a) in the Directors' opinion, the financial statements and notes for the financial year ended 30 June 2005 are in accordance with the Corporations Act 2001, including:
  - (i) section 296 (compliance with accounting standards); and
  - (ii) section 297 (true and fair view); and
- (b) 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; and
- (c) the Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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:



**Max Donnelly**  
Director

Dated the 29<sup>th</sup> day of September 2005.

**HORWATH Sydney Partnership***Chartered Accountants*

A member of Horwath International

Level 10, 1 Market Street  
Sydney NSW 2000**Independent review report to the members of Macquarie Radio Network Limited****Scope**

The financial report and Directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for Macquarie Radio Network Limited (the company) and controlled entities, for the year ended 30 June 2005.

The company has disclosed information about the remuneration of Directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities, under the heading "remuneration report" in pages 17 to 19 of the Directors' Report, as permitted by the Corporations Regulations 2001.

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

**Audit approach**

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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 financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

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

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

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 have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of Macquarie Radio Network Limited on 29 September 2005, would be in the same terms if provided to the Directors as at the date of this audit report.

**Audit opinion**

In our opinion:

- (1) the financial report of Macquarie Radio Network Limited is in accordance with:
  - (a) the Corporations Act 2001, including:
    - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its 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; and
- (2) the remuneration disclosures that are contained in pages 17 to 19 of the Directors' Report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

Dated the 29<sup>th</sup> day of September 2005

*Horwath Sydney Partnership*

**HORWATH SYDNEY PARTNERSHIP**  
Chartered Accountants



David Green  
Partner

Applicable as at 31 August 2005

**DISTRIBUTION OF SHAREHOLDINGS**

Analysis of numbers of shareholders by size of holding as at 31 August 2005:

Size of Holdings	Ordinary Shares		% Issued Capital
	Number of Holders	Number of Shares	
1 – 100	1	14	0.00
101 - 200	3	531	0.00
201 - 300	5	1,500	0.00
301 - 400	5	1,684	0.00
401 – 500	16	8,000	0.01
501 – 1,000	226	218,409	0.26
1,001 – 5,000	412	920,539	1.11
5,001 – 10,000	37	309,418	0.37
10,001 – 100,000	38	1,584,807	1.91
100,001 and over	11	79,858,038	96.34
<b>Total</b>	<b>754</b>	<b>82,902,940</b>	<b>100.00</b>

There were 10 holders of less than a marketable parcel of ordinary shares and those holders held a total of 2,347 ordinary shares.

Applicable as at 31 August 2005

**TWENTY LARGEST SHAREHOLDERS**

The names of the twenty largest holders of shares as at 31 August 2005 are listed below:

<b>Ordinary Shares</b>			
<b>Rank</b>	<b>Name</b>	<b>Holding</b>	<b>%</b>
1	John Singleton Promotions Pty Limited	55,356,705	66.77
2	PEC Nominees Pty Limited	12,151,485	14.66
3	National Nominees Limited	3,450,000	4.16
4	HSBC Custody Nominees (Australia) Limited	3,232,900	3.90
5	Westpac Custodian Nominees Limited	2,145,118	2.59
6	Angela Clark	1,438,960	1.74
7	ANZ Nominees Limited	1,430,000	1.72
8	Government Superannuation Office	260,270	0.31
9	Victorian Workcover Authority	189,080	0.23
10	G L F Martin (Services) Pty Limited	117,000	0.14
11	Transport Accident Commission	111,520	0.13
12	Arrowfield Group Pty Limited	100,000	0.12
13	Bond Street Custodians Limited	100,000	0.12
14	Stephen Chapman	100,000	0.12
15	Raytrack Sporting Services Pty Limited	100,000	0.12
16	Valamoon Pty Limited	98,000	0.12
17	Carole Tate	95,000	0.11
18	UBS Private Clients Australia Nominees Pty Limited	80,000	0.10
19	Dr Paul Roy	77,607	0.09
20	Baron Nominees Pty Limited	71,000	0.09
<b>Total</b>		<b>80,704,645</b>	<b>97.34</b>

Applicable as at 31 August 2005

### SUBSTANTIAL SHAREHOLDERS

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

Rank	Name	Ordinary Shares	
		Holding	%
1	John Singleton Promotions Pty Limited	55,356,705	76.77
2	PEC Nominees Pty Limited	12,151,485	16.85
<b>Total</b>		<b>67,508,190</b>	<b>93.62</b>

### RESTRICTED AND UNRESTRICTED SECURITIES

	Ordinary Shares	
	Number Held	Number of Holders
Restricted fully paid ordinary shares – quoted on ASX	69,039,150*	120*
Unrestricted fully paid ordinary shares – quoted on ASX	13,863,790	634
<b>Total ordinary shares quoted on ASX</b>	<b>82,902,940</b>	<b>754</b>

\* Includes 117,000 shares held by 117,000 employees of the Company under the Employee Share Plan ("ESP"). Under the ESP, shares issued to eligible employees cannot be disposed of, dealt with or have a security interest granted over them until the earlier of three years after the date they are issued under the ESP and the time the eligible employee ceases to be employed by the Company.

In accordance with the terms of the Escrow Agreements entered into between the Company and its founding shareholders and the Chief Executive Officer immediately prior to the Initial Public Offering ("IPO") of shares in the Company in April 2005, the founding shareholders are prevented from disposing or otherwise dealing with their shares without the prior written consent of the Company for twelve months from completion of the IPO. The escrow arrangements relating to the Chief Executive Officer of the Company, Angela Clark, are set out on page 18.

### OPTIONS AND C CLASS SHARE

As at 31 August 2005, the Company had 11,251,395 unlisted and unquoted options on issue to 1 shareholder (Hadiac Pty Limited, a company associated with Alan Jones).

As at 31 August 2005, the Company had 1 unquoted C Class share on issue to 1 shareholder (Hadiac Pty Limited, a company associated with Alan Jones).

Refer to Note 17 to the financial statements for further information in relation to the options and C Class share.

### VOTING RIGHTS

In relation to 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.

Applicable as at 31 August 2005

**STOCK EXCHANGE LISTING**

The shares of the Company are listed under the ASX Company Security Code “MRN” on the Australian Stock Exchange Limited.

**SHAREHOLDER ENQUIRIES**

Shareholders wishing to record a change of address or other holder details or have queries regarding their shareholding should contact the office of the share registry as detailed below. Shareholders with any other query are invited to contact the Company’s registered office as detailed in the Corporate Directory at the front of this Annual Report.