BROADCAST SERVICES
AUSTRALIA LIMITED
ANNUAL REPORT 2004

Chairman's Report

I am delighted to advise that the results for the year were almost exactly in line with the Board's forecasts. Turnover was in excess of $100 million, producing an EBITDA of $7.5 million.

In last year's Annual Report, I expressed confidence that the momentum which had built up within Broadcast Services Australia Limited (BSA) would continue. That confidence was well founded as BSA delivered a strong performance in 2004. There has been significant growth in all operating divisions and a substantial increase in profitability.

I am delighted to advise that the results for the year were almost exactly in line with the Board's forecasts. Turnover was in excess of $100 million, producing an EBITDA of $7.5 million.

The results are largely a product of the tight management control implemented by the Joint Managing Directors, Mark Foley and Daniel Lipshut. They have ensured the acquisition of the former BSA Pty Limited and its merger within BSA has been successful, creating value for all shareholders.

All of the business divisions operate in very competitive environments, resulting in considerable pressure on pricing and the maintenance of margins. To remain profitable, BSA must retain a low cost base and set itself apart from its competitors in order to secure high revenue levels. I am delighted that BSA's strong management team and its sophisticated systems enabled it to continually meet its customers key performance indicators (KPI's) throughout the year, resulting in BSA winning considerable revenue from its competitors.

The 2005 year should see continued organic growth in our divisions in both turnover and profit. BSA has reached a position, both operationally and financially, where it can consider acquisition opportunities. While the Board has reviewed a number of opportunities, nothing has as yet met its criteria.

The Board regularly reviews the Company's capacity to pay a dividend to shareholders. Although profitability has been restored, the growth of the operations has required substantial amounts of working capital to support debtors, stock and work-in-progress. The Board is committed to paying a dividend as soon as its working capital position will allow.

There have been some substantial changes to the share register during the year. A number of institutional investors have become shareholders. The Shareholder Share Purchase Plan was very successful. The top 20 shareholders now hold 79% of the shares on issue compared with 89% last year.

I believe the strategy adopted by the current Board and management since the changes in September 2001 have been the basis for the growth of the Company. During that time, the share price has increased from 7c to 34c at the time of writing. Market capitalisation of the Company has increased from $4.9 million to over $63.7 million in that period.

I would like to acknowledge the contribution of the management and staff. Without their skill and dedication, the restoration of the Company's financial position as evidenced above would not have happened.

I thank my fellow Directors for their sustained efforts over the year and thank the shareholders for their ongoing support.

Brett Crowley
Chairman

Joint Managing Directors' Report

BSA is now one of the most efficient deployers of subcontractor technicians in the Australian eastern seaboard.

We are pleased to report that strategies and management initiatives undertaken in recent years resulted in an excellent result for the 2004 year. We are confident BSA is now well positioned to deliver sustained and strong profits into the future.

Revenue for the twelve months ended 30 June 2004 was $100.2m compared with $68.5m in 2003, an increase of 46%. EBITDA of $7.511m (2003 $3.297m) was 7.5% of revenue compared with 4.8% in 2003, a 56% improvement. Net profit after tax increased by 575% to $2.7m from $0.4m the previous year.

The performance for the year demonstrates that the management has streamlined the business units while increasing revenue, meeting the previously stated objectives of consolidating and growing the business.

None of this would have been possible if not for the commitment and passion exhibited by staff. Their efforts have enabled BSA to achieve outstanding results in customer service and quality delivery throughout the year.

The company's successful implementation of these strategies was reflected in the substantial increase in market capitalisation and increased investor interest, particularly from institutions. An improvement in balance sheet ratios as a result of the $5.5m capital raising during 2004 is evidenced in the movement of the debt to debt plus equity ratio from 25.8% in 2003 to 8.9%.

Operational highlights during the year included:

» Securing a two year $40 million plus contract from Telstra for installation and maintenance services in Sydney and Brisbane.

» Doubling the number of contracted technicians to meet the demand from the launch of FOXTEL Digital and the commencement of the Telstra contract.

» Redesigning the Company's information technology interfaces to incorporate the larger business units into the back-end systems.

» Securing and commencing works on the company's first major satellite communications contract for the Commonwealth Department of Defence.

» Undertaking works on a number of important high and low power digital broadcast transmission sites around Australia.

» Completing a $5.5 million capital raising with institutional investors and existing shareholders.

» Bolstering management depth with the appointment of four new senior managers.

» Streamlining and managing selective growth of the franchise businesses.

Looking forward

Since the initial public offering in 1999, Broadcast Services Australia Limited (BSA) has extended its original contracting focus of satellite TV installation for FOXTEL and Austar to include a much broader range of communications and broadcast installation and maintenance services as well as 'home' directed services.

BSA is now uniquely positioned to service TV, radio and telecommunications carriers as they digitise. During the year, the Company has significantly enhanced its contractor management capabilities. BSA is now one of the most efficient deployers of subcontractor technicians in the Australian eastern seaboard. The Company's ability to quickly and efficiently undertake high volume technical installation and maintenance work opens a host of possible opportunities to be pursued over the course of the coming years.

Recent expansion of the Company's engineering expertise and resources combined with strategic relationships forged within the television broadcasting industry provide a number of exciting opportunities to broaden BSA's service offerings.

BSA has identified a range of "home directed" products and services to be added to the "Mr" franchise business. Development of this division has been directed at improving the consumer's experience.

There are challenges in the year ahead as the broadcasting and communications sector continues to evolve. However we are confident that we are well placed to meet these challenges and capitalise on profitable opportunities that are being presented.

The Contracting Solutions division will continue to expand and deliver on its contracts. While we secured some major contracts in 2004 we believe our bank of expertise in this area leaves us well placed to win other work in this area.
The Transmission Solutions division will further develop its digital transmission tower and equipment business, as well as offering new high value services.

This sector of the broadcasting industry is constantly changing and expanding rapidly driven by technological advancement, creating opportunities for the introduction of long term support and maintenance activities.

We see exciting opportunities to build and profitably extend the Company's businesses in the forthcoming years.

Daniel Lipshut
Joint Managing Director

M. Foley.

Mark Foley
Joint Managing Director

Review of Operations

Over the past year we have seen a great deal of interdivisional activity in the pursuit of new opportunities.

BSA functions via three divisions. Over the past year we have seen a great deal of interdivisional activity in the pursuit of new opportunities. Witnessing the varied skills mix within these divisions indicates that the Company's acquisition of BSA Pty Limited in 2002 has broadened its interests as intended. Since the acquisition, activities have increasingly tended to cross divisional borders.

A description of each division follows

Contracting Solutions (CS)

CS manages a vast contractor workforce. The volume of commercial works performed related to the satellite delivery of subscription TV and in the telecommunications industry has significantly increased. The ability to leverage the back office and management model allowed BSA to efficiently increase the breadth of services offered.

Transmission Solutions (TS)

Focus of the TS business has been terrestrial communications infrastructure and equipment, whether for free to air TV and radio broadcast, telecommunications carriers or broadband wireless service providers. The division has also developed significant satellite communications engineering capabilities.

Mr. Antenna and Mr Alarms

Mr. Antenna and Mr. Alarms have been merged into a single business unit named 'Home Heroes'. The Mr Antenna business was refined and additional national services under multiple brands have been developed. Services to the home including antenna installation, alarm installation/ monitoring and sales of consumer products form the basis of the Home Heroes business unit.

Operation Overview

FOXTEL

The subscription TV market launched its digital platform during the year. BSA led the way in managing and delivering installation of satellite service to consumers. The challenge this year was to double an already significant contractor base to satisfy FOXTEL's requirements of increased activity for the rollout. BSA achieved this. The proprietary Installation, Contractor, Billing and Management system (ICBM) was refined to meet the increased demand for contractor services with minimal fixed overhead increases.

Meeting the training requirements of subcontractors was a challenge. BSA now has continuous training sessions running to meet work volume demands.

Training covers all skills subcontractors require to perform quality tasks in the field with the major focus on health and safety for all stakeholders. BSA has become proficient in recruiting and training subcontractors, an important part of maintaining quality throughout the service offering. We have ensured that experienced quality assurance personnel are recruited and employed directly by BSA as full time employees, enabling quality of service to be maintained across all our business.

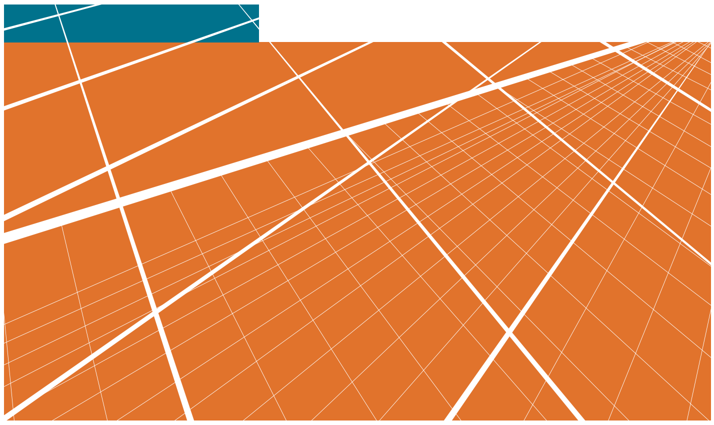
» BSA increased its quality assurance key performance indicators (KPIs) in the field over the course of the year by 11.4% to 98%. This measures the general quality of work performed in the field.

» BSA exceeded its KPIs related to attendance of appointments on time achieving 99.8%.

Austar

BSA has performed work for Austar over many years. BSA performs commercial installations and custom connections for Austar.

BSA represents a number of the world's leading broadcast equipment manufacturers.



Telecommunications

Telstra

BSA increased its telecommunications activities significantly over the year. After two years of working for Telstra, BSA achieved a large increase in business having successfully tendered for installation and maintenance work. The business unit integrated its installation and contractor management systems to meet the increase which commenced in May 2004.

To meet the needs of the growing business, BSA expanded its call centre, recruited field team leaders and established a training and quality assurance process.

SPT Telecommunications

The installation of equipment and site specific infrastructure for SPT Telecommunications continued throughout the year. Most of the work performed by BSA involved microwave radio installations in NSW and QLD. Varying degrees of project management and technical complexity were associated with these works.

Optus

BSA continued to perform work for Optus, servicing Brisbane based customers connected to its hybrid fibre coax (HFC) network. The relationship with Optus dates back many years. BSA continued to meet or exceed its KPI and service level agreements.

» BSA currently completes more than 1000 services for Optus each week. This includes installations, upgrades, re-connects and maintenance.

TV and Radio broadcast

BSA experienced steady demand for digital transmission solutions as the TV broadcasters continue to upgrade their networks in line with the Australian Broadcasting Authority timetable. Although low power transmission sites form the majority of the projects completed, there have also been new projects completed on high power sites this year. The range of equipment supply and support services continues to be a growing focus.

There are still a number of planned projects that have been deferred or delayed. These delays have resulted in lower than budgeted revenue for TS. It is expected that revenue from these delayed projects will be brought to account in the 2005 year when a number of supply issues and project schedules are corrected. A number of active tender decisions were delayed over the year

The range of equipment supply and support services continues to be a growing focus.

which we expect to conclude in the 2005 year.

The broadcast industry is committed to the completion of the rollout of digital radio frequency (RF) broadcast signal. Australia's high power transmission sites (mostly in metropolitan areas) are largely complete. The digital broadcast rollout to regional Australia will continue over the next three years including the addition of towers, supply of digital transmitters and associated equipment fundamental to a dual analogue and digital network. Most of the remainder of the rollout demand across regional Australia will be for low power sites, a market that BSA has traditionally dominated. It is anticipated that the regional rollout will provide solid base revenue for the coming years.

In May 2004, John Chellingworth was appointed Group General Manager TS division. John's vast experience has already had an impact on TS as it moves to capture more telecommunication industry work while continuing to be a dominant player in the broadcast industry.

Broadcast equipment supply and support.

BSA represents a number of the world's leading broadcast equipment manufacturers. One such manufacturer is the USA based Harris Corporation. Over the past four years, BSA developed the market for Harris transmitters across almost all of Australia's free to air broadcasters. In October 2003, Harris moved its production facility from Austria to the United Kingdom. This slowed production and delivery of transmitters during the latter part of the year. The knock on effect of the delays included the slowing down of new site orders for the remainder of this calendar year's digital rollout. Consequently, the delayed work remains to be performed, albeit into the 2005 financial year. The rollout by the TV broadcasters (mostly regional) is expected to continue over the next three years. While some rollout work was delayed, TS secured other work producing close to budgeted results for the division. Harris has worked diligently towards resolving the delivery delays for its much sought after premium products.

As a Harris Broadcast sales agent for more than four years, BSA has extensive support capabilities and engineering expertise in Australia. Harris Broadcast sees Australia as an important market and are committed to supporting BSA and its customers well into the future.

The BSA broadcast and engineering sales group has been consistently adding to its catalogue of broadcast and transmission products. Company staff visit trade shows like National Association of Broadcasters (NAB) and International Broadcasting Committee (IBC) each year to maintain knowledge on industry trends and products to enhance the services and capabilities offered to the broadcast market in Australia.

Radio

BSA has supplied a number of analogue radio transmitters (Harris) and worked on various tower infrastructure within the industry. It has supported Commercial Radio Australia (CRA) trial digital broadcasts. While full scale rollout of digital radio infrastructure may be a medium term opportunity, BSA is well positioned to perform works and supply equipment to meet those requirements.

Engineering

A number of important changes to senior engineering personnel over the year occurred which enhanced the Company's capabilities in this critical unit. These included the promotion of Rod Goulding to National Engineering Manager in charge of all BSA engineering resources, planning and delivery. Reporting to Rod is one of the broadcast industry's most respected engineers, Nabil Ghoniam, who was promoted during the year to BSA Chief Broadcast Engineer.

BSA has positioned itself to support the vast array of high value broadcast equipment it supplies. Our digital RF expertise is second to none in Australia and the Company places emphasis on continued training and support from manufacturers. The increase in investment specific to engineering support is being driven by the increasing number of operations and maintenance requirements evolving from the shift to digital transmission by the broadcasters.

The satellite project has consistently met budget, schedule and quality expectations.

Support

BSA's technical support of its customers and products has been refined. The engineering team is built around core equipment specialists who are each expert in specific equipment types. Having factory trained product specialists has enabled BSA to successfully maintain complex overseas manufactured equipment, in Australia, on behalf of its customers.

Infrastructure

BSA has developed one of the most skilled capabilities for design, construction and implementation of broadcast tower infrastructure in Australia. Towers and masts on remote access sites including some more than 200 metres high were completed during the year, as were council TV black spot works, broadcast TV and radio works, telecommunications tower works and the gamut of site survey, design, construction and rectification works. Skills required to build guyed or free standing tower sites require close team work and extensive training. Meeting the highest quality and safety requirements is the most important focus of the infrastructure and project delivery team.

Mr. Antenna, Mr Alarms and other franchise business.

Home Heroes is now the name of the group of service brands managed by BSA. Developed around the Mr Antenna and Mr Alarms brands and infrastructure, the Home Heroes business unit is run largely as a franchise model. Mr Hot Water Australia is expected to be launched in September, providing the third "Mr" brand. All will be based at the new Home Heroes HQ in Melbourne.

The use of Mr Antenna core infrastructure forms the basis of the business unit. With national warehousing and distribution, the Melbourne based call centre manages each of the brands with one telephone number and is designed to integrate more brands seamlessly. The franchise structure and deed used by Mr Antenna has been revised to suit the expansion plans for the business. Sales of Mr Antenna franchise territories were in line with expectations for the year.

A catalogue of products to enhance the services already offered to customers was introduced, allowing Mr Antenna to generate additional income through sale of a greater number of products. A number of strategic relationships with equipment manufacturers were negotiated over the year. Products like digital TV set top boxes, DVD players, programmable remote controls, fully installed home theatre, monitored alarm systems and TV antennas have been added to the product catalogue.

The Home Heroes business unit will continue to be developed over the next year, with an extensive marketing campaign including brochure distribution and radio advertising.

New business

BSA has been working towards delivery of digital subscriber line (DSL) services to telecommunications providers in a planned business development programme. Planning for a number of emerging opportunities necessitated searching for appropriately skilled technicians able to perform installation of access muxes (DSLAM) into exchanges. BSA is assessing a number of these opportunities and expects to be able to commence initial installations shortly.

Defence communications

BSA secured and has partially completed an Australian defence related satellite communications project, which included project management and construction. BSA has worked closely with a US defence company whose satellite capabilities are world renowned. The progress of this project has consistently met budget, schedule and quality expectations. BSA is actively seeking expanded activities in the defence communications sector. Engineering skills combined with extensive satellite expertise, positions the Company well for pursuing business in this growing market sector.

BSA Management System Project

The Company recently commenced an initiative to upgrade existing management systems to more closely align BSA's operations with the industry recognised quality ISO 9002, health and safety and environmental management system standards.

As activities progress over the next eighteen months we expect other spin-offs to arise from this project.

We are constantly enhancing BSA's workforce with quality technicians...

These include improved discipline with respect to statutory compliance, improved risk management in key operational areas – particularly concerning the health and safety of our employees and contractors – and increased recognition and development of our employees as BSA's key resource. We anticipate this project will contribute to long term improvement in our efficiency, reputation and contracts.

Installation, Contractor, Billing and Management system (ICBM)

The business is managed at the back office level through our powerful ICBM system. This proprietary system has proved itself throughout the year under the high growth conditions of the FOXTEL Digital Launch and the subsequent growth in Telstra business. ICBM now handles over 50,000 jobs per month compared to 30,000 jobs in June 2003. The ICBM system is a significant differentiator between BSA and its competitors. It provides the Company with the ability to route work orders to subcontractors on a very efficient basis both by location of the subcontractor and the timing to do so. The subcontractors also benefit from the fully integrated web based system. The company has found that as small business owners themselves, they value the ability to track closure of each job they perform, view a full reconciliation of their services and related equipment costs together with direct communications with BSA of their availability and preferred work region. The ICBM system is also used by the Company to manage OH&S issues that need to be communicated consistently across our subcontractor base.

Training

We are constantly enhancing BSA's subcontractor workforce with quality, technicians who are able to perform tasks on the Telstra and other carrier networks. There has been a reduction over the past few years of available skilled subcontractors in this field. To meet the demand, BSA is increasing the workforce available to it by becoming an accredited Telstra training organisation. Through the employment of appropriately certified staff, BSA trains technicians to be certified to work on Telstra's copper network. It is a powerful capability allowing expansion with new contractors who possess a full suite of the skills required.

Subcontractor workforce

In both the Telecommunications and TV Subscription markets, BSA has worked very closely with subcontractors to ensure a stable workforce. Currently BSA is managing around 1000 subcontractors nationally. BSA continues to explore new technology and more efficient processes to better service its customers.

Directors' Report

The net amount of consolidated profit of the consolidated entity for the financial year after income tax and outside equity interest was $2,664,000.

The Directors of Broadcast Services Australia Limited (the 'Company') present the annual financial report of the Company for the year ended 30th June 2004.

Directors

Directors in office during the year and to the date of this report are:

Brett Crowley	Non Executive Chairman
Brian Baldwin	Non Executive Deputy Chairman
Greg Mullane	Non Executive Director
Mark Foley	Joint Managing Director
Daniel Lipshut	Joint Managing Director
John Sambell	(Non Executive Director) Resigned 30 June 2004
Robert Hallas	(Non-Executive Director) Resigned 1 July 2003

Principal Activities

The principal activities of the economic entity during the financial year were acting as national provider of contracting services to subscription TV and telecommunication companies that require satellite and telecommunication installation services; the supply of TV aerials and digital television and communication/alarm equipment to the home through franchise brands; and delivery of infrastructure projects, services and equipment to the Broadcast and Telecommunication industries.

Review of Operations

A detailed review of the operations of the consolidated entity is contained in the Chairman's Report and Joint Managing Directors' Report of this Annual Report.

Results

The net amount of consolidated profit of the consolidated entity for the financial year after income tax and outside equity interest was $2,664,000.

Dividends

In respect of the financial year ended 30 June 2004, no dividends have been declared.

Indemnification of Officers and Auditors

The Company has not undertaken directors and or officers insurance.

Changes in State of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

	2004 $'000
a) An net increase in the contributed equity of $5,299,444 (from $46,577,411 to $51,876,855) as a result of:	
Institutional placement of 23,987,345 fully paid ordinary shares @ $0.20 each	4,798
Issue of 3,556,300 fully paid ordinary shares @ $0.20 each under the Shareholder Share Purchase Scheme	711
	5,509
LESS: Transaction Costs arising on share issues	(209)
Net increase in share capital	$5,300

b) Net cash received from the increase in contributed equity amounting to $5,299,444 was used to reduce current debt on the Company's banking facility and to provide additional working capital for the Company.

Matters subsequent to the end of financial year

The following matters occurred after the balance date:

Since 30 June 2004 the Company has sold its 51% interest in the subsidiary The Antenna Man (WA) Pty Ltd to the minority shareholders. The Company's 51% holding in the Antenna Man (WA) Pty Ltd was sold for $145,000, after payment of a $20,000 dividend to the members. The investment value in the financial statements as at 30 June 2004 has been adjusted to the sale price of $145,000 from $400,000. Additionally, goodwill of $151,000 related to this business has been written off.

Future Developments and Expected Results

The Board is confident the positive momentum developed over this past year will continue.

The Board expects the year ahead will show revenue growth together with continued operational efficiency and margin improvement. The continued digital rollout across Australia for broadcasters and digital migration and expansion of subscription television services, together with the Company's success in securing a telecommunications installation and maintenance contract, positions the Company well for 2005.

Environmental Regulation

The Company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the continuing education of all staff and contractors employed on Company activities.

The Company's operations do not have major environmental impact though the Company is conscious of its responsibility to ensure that its staff and operations conform with local environmental standards.

Corporate Governance

The Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period. For further details see the Corporate Governance section.

Directors are subject to retirement by rotation.

Information on Directors

Director	Special responsibilities	Ordinary shares	Options	Restricted shares
Brett Crowley Chairman (Non-Executive)	Chairman Chairman of Audit Committee Member of Remuneration Committee	Nil	2,000,000	Nil
Brian Baldwin Deputy Chairman (Non-Executive)	Chairman of Remuneration Committee Member of Audit Commitment	48,549	Nil	18,387,975
Greg Mullane Non Executive Director	Member of Audit Commitment Member of Remuneration Committee	13,552,679	Nil	Nil
Mark Foley Executive Director	Joint Managing Director	4,131,607	4,000,000	Nil
Daniel Lipshut Executive Director	Joint Managing Director	148,648	2,000,000	Nil
John Sambell Non – Executive Director	Resigned: 30 June 2004			
Robert Hallas Non – Executive Director	Resigned: 1 July 2003			
Ian McGregor Company Secretary	Appointed: 25 November 2003	Nil	1,000,000	Nil
Brett Crowley Company Secretary	Resigned: 25 November 2003			

The Company recognises the importance of environmental and OH&S issues.

Meetings of Directors

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2004, and the number of meetings attended by each director were:

	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	No. Eligible to Attend	No. Attended	No. Eligible to Attend	Number Attended	No. Eligible to Attend	Number Attended
Brett Crowley	16	16	1	1	1	1
Brian Baldwin	16	11			1	1
Greg Mullane	16	12	1	0	1	1
Mark Foley	16	16				
Daniel Lipshut	16	16				
John Sambell (a)	15	6	1	1	1	1
Robert Hallas (b)	0	0				

(a) resigned 30 June 04

(b) resigned 1 July 03

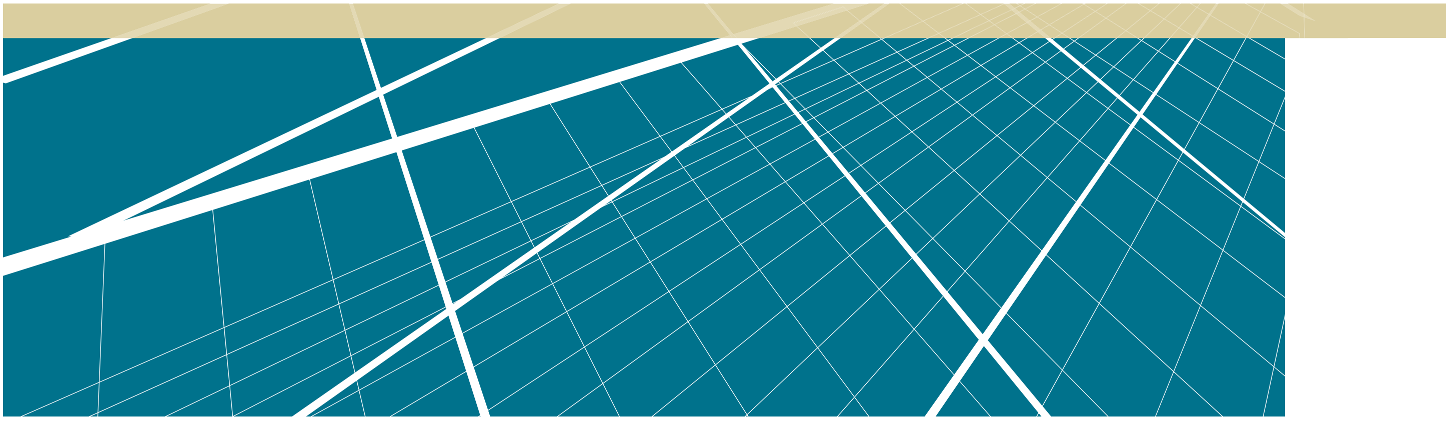
Retirement, election and continuation in office of directors

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

Directors and Executives Remuneration

Details of directors and executives remuneration are set out in the Financial Report – Note 29.

Without the skill and dedication of our staff, the restoration of the Company's financial position would not have happened.



Directors Experience

Brett Crowley
Chairman (Non-Executive)

Brett was a partner with Ernst & Young and KPMG, both in Australia and Hong Kong. Brett is CEO of IMT Holdings Limited, an ASX listed company involved in the development and marketing of environmental technology. Brett was appointed Chairman on August 29, 2001.

Brian Baldwin
Deputy Chairman (Non-Executive)

Brian was a founding partner of BSA Pty Ltd and remained Chairman of the company until its acquisition by Broadcast Services Australia Limited. He has, along with many other successful business ventures, developed one of Australia's largest privately held human resource companies. His entrepreneurial talents have been instrumental in securing relationships with many of BSA's principals and key customers.

Greg Mullane
Non Executive Director

Greg has a background in accounting, with extensive experience as a consultant and director of several diverse companies. Greg has a unique understanding of the industry having started a business supplying and installing satellite, cable and television systems in rural and outback communities as well as for the major Television Networks.

Mark Foley
Executive Director

Mark has over 15 years industry management experience gained within the electrical contracting business. He has established a number of successful businesses including those comprising the Delaney group in the Queensland region. Mark has a wealth of business experience in a number of facets of the satellite and cable installation business and is a Director of a number of private companies. Mark was appointed Managing Director on 25 September 2001.

Daniel Lipshut
Executive Director

Daniel was Director, Corporate, BSA Pty Limited prior to its acquisition by Broadcast Services Australia Limited. A non executive director of other companies including Intercorp and Intercorp Telecommunications for many years, he has run large projects and divisions, managing contracts and groups in various defence and telecommunications sectors. Daniel was appointed Joint Managing Director on 5th December 2002.

Share-based compensation

Share options granted to directors and officers with the greatest authority are set out in the Financial Report – Note 29.

BSA will continue to grow with careful management and loyal staff.

Share Holding

The numbers of shares in the Company held during the financial year by each director and each of the five specified executives of the consolidated entity, including controlled personally-related entities are set out below:

Name	Balance at the start of the year	Received during the year on the exercise of options	Changes during the year	Balance at the end of the year
Directors Ordinary Shares				
Brett Crowley (1)	724,642		(724,642)	Nil
Brian Baldwin (2)	4,596,994		(4,548,445)	48,549
Greg Mullane	13,552,679			13,552,679
Mark Foley (3)	8,131,607			8,131,607
Daniel Lipshut (4)	148,648			148,648
John Sambell	Nil			Nil
Robert Hallas (5)	7,081,013			NA
Ordinary Share Restricted				
Brian Baldwin	18,387,975			18,387,975
Specified Executives				
John Chellingworth				Nil
Vaughan Clark			25,000	25,000
Brendan Foley	8,429			8,429
Ray Larkin				Nil
Ian McGregor				Nil

(1) At the close of 30 June 2003, the preparation of the accounts only identified holdings in Antwerp Consultants Ltd and not Mr Crowley's superfund.

(2) At the close of 30 June 2003, the preparation of accounts did not reflect the sale of 2,250,000 ordinary shares on or about the 23 January 2003.

(3) At the close of 30 June 2003, the preparation of the accounts incorrectly included holdings in related entities over which Mr Foley had no control. Subsequent to year end and prior to the date of this report, the director sold 4,000,000 shares.

(4) Shares were held by the Director at close of 30 June 2003 but not notified to the Company until after the Annual Report was completed.

(5) Resigned on 1 July 2003.

Mr. Antenna and Mr. Alarms have been merged into one entity: Home Heroes.

Loans to directors and executives

There were no loans to directors or officers during the year ended 30 June 2004

Share options granted to directors

Options over unissued shares of Broadcast Services Australia Limited have been granted during the financial year to directors of the Company as part of their remuneration as follows:

» 2,000,000 options granted to Mark Foley at an exercise of $0.20 cents

» 2,000,000 options granted to Daniel Lipshut at an exercise price of $0.20 cents

» 1,000,000 options granted to Brett Crowley at an exercise price of $0.20 cents

The options granted are exercisable between 1 July 2004 and 30 June 2007.

At the date of this report the unissued ordinary shares of the Company under option to directors of the company are:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
5 December 2002	5 December 2005	$0.20	3,000,000
25 November 2003	30 June 2007	$0.20	5,000,000

The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on the exercise of options

No ordinary shares of the Company were issued during the year ended 30 June 2004 on the exercise of options granted to directors. No further options have been granted to directors since that date.

Proceedings on behalf of the Company

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

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

BSA has extensive support capabilities and engineering expertise in Australia.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's experience with the Company and/or the consolidated entity is important.

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

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the 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 auditors, as set out below did not compromise the auditor's independence requirement 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 breach the integrity and objectivity of the auditor

» none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing economic risk and reward.

Remuneration of Auditors

During the year the following services were paid to the auditor, its related practices and non-related audit firms.	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000
Assurance Services		
1. Audit Services		
Fees paid to BDO Chartered Accountants:		
Audit and review of financial reports and other audit work under the Corporations Act 2001	151	146
Total remuneration for audit services	151	146
2. Other Assurance Services		
Fees paid to BDO Chartered Accountants:		
Audit of regulatory returns	-	-
Total remuneration of other assurance services	-	-
Total remuneration for assurance services	151	146
Taxation Services		
Fees paid to BDO Chartered Accountants:		
Tax compliance services, including review of company income tax returns	26	48
Fees paid to non-BDO Chartered Accountants audit firms:	5	-
Total remuneration for taxation services	31	48
Advisory Services		
Fees paid to BDO Chartered Accountants:		
Payroll processing services	18	26
Total remuneration for advisory services	18	26

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

BDO Chartered Accountants continues in office in accordance with section 327 of the Corporations Act 2001. This report is made in accordance with a resolution of the directors.

Brett Crowley Chairman
Sydney 29 September 2004

Corporate Governance

The Board of Broadcast Services Australia Limited (BSA) strives to achieve best practice in meeting its responsibilities in directing the business and affairs of the Company.

The Board of Broadcast Services Australia Limited (BSA) strives to achieve best practice in meeting its responsibilities in directing the business and affairs of the Company.

The Board of BSA has considered the principles of good corporate governance and best practice recommendations as published by the ASX Corporate Governance Council in March 2003. ASX Listing Rule 4.10 requires BSA to disclose the extent to which it has followed these best practice recommendations in its June 2004 Annual Report.

This statement outlines the main corporate governance practices that were followed during the year ended 30 June 2004.

The Role Of The Board & Management

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

Scheduled meetings of the Board are held regularly and the Board meets on other occasions to deal with matters that require attention between scheduled meetings.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Joint Managing Directors and the Divisional Managers.

The Board is responsible for:

» Appointing the Joint Managing Directors, setting objectives for the Managing Directors and reviewing performance against those objectives, ensuring appropriate policies and procedures are in place for recruitment, training, remuneration and succession planning;

» Setting the strategic direction of BSA and establishing goals to ensure these strategic objectives are met;

» monitoring financial performance including approval of the annual and half-yearly financial reports and liaison with the Company's auditors;

» Ensuring the significant risks facing the Company and its controlled entities have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place;

- Receiving detailed briefings from senior management on a regular basis during the year;
- Approving the Directorate of subsidiary companies; and
- Ensuring the Company complies with the law and confirms to the highest standards of financial and ethical behaviour.

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

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

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

The Directors in office at the date of this statement are:

Name	Position	Independent
B Crowley	Non-Executive Chairman	Yes
B Baldwin	Non-Executive Director	No
M Foley	Executive Director	No
D Lipshut	Executive Director	No
G Mullane	Non-Executive Director	No

The ASX Corporate Governance Council Recommendations provides that there be a majority of the Board that is independent as defined. None of the non-executive Directors have been an employee of the Company. Under the criteria contained in the Recommendations, Brett Crowley is considered to be independent. Brian Baldwin and Greg Mullane under the Corporations Act section 9 are considered to hold substantial shareholdings and are therefore not independent under the Recommendations. Your Board has focused on the overarching principle of the directors adding value to the business.

The Board does not believe that any director has served on the Board for a period which could materially interfere with the director's ability to act in the best interests of BSA. The Board believes that maintaining flexibility in relation to the appropriate term for each director allows it to attract and retain directors with the best possible relevant skills and expertise.

Appointment to the Board

The Board at this time handles all leadership and appointments within the current directors' meetings on an as required basis. Where a casual vacancy arises during the year, the Board endeavours to select the most suitable candidate with the appropriate experience and expertise to ensure a balanced and effective Board. Any director appointed during the year to fill a casual vacancy or as an addition to the current Board, holds office until the next Annual General Meeting and is then eligible for re-election by the shareholders.

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

BSA is committed to be being a socially responsible corporate citizen, using honest and fair business practices, to act in the best interests of clients and so achieve the best outcome for shareholders.

Ethical Business Practices

BSA is committed to being a socially responsible corporate citizen, using honest and fair **business practices, to act in the best interests of clients so as to achieve the best outcome for shareholders.**

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

The Board encourages non-executive directors to own shares in the Company to further link their interests with the interests of all shareholders. **Trading of shares by directors is prohibited under certain circumstances and as described** in the ASX Listing Rules and during certain periods of the financial year. A director must not deal in BSA shares at any time when he or she has unpublished information which, if generally available, might affect the share price. Directors are required to notify the Company Secretary prior to dealing to ensure that there are no insider trading issues.

Safeguard Integrity

The Board has established an Audit Committee comprising of the Chairman and two non-executive directors. Where considered appropriate, BSA's external auditors and BSA's management are invited to attend meetings. The Members of the Audit Committee are:

B Crowley; G Mullane; B Baldwin.

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

» Effective management of financial and other business risks;

» Reliable management reporting;

» Compliance with laws and regulations in respect to financial reporting;

» Maintenance of effective and efficient audits;

» Meeting with external auditors on a twice-yearly basis and informally as circumstances require; and

» Recommending to the Board the appointment, removal and remuneration of the external auditors, and review their terms of engagement, and the scope and quality of the audit.

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

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

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

Communication With Shareholders

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

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

» The Annual Report distributed to all shareholders;

» The Half Yearly Report distributed to all shareholders;

» The Annual General Meeting and other meetings so called to obtain shareholder approval for Board action as appropriate;

» Announcements to the Australian Stock Exchange; and

» Investor information through the Company's internet portal at www.bsa.com.au

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

Shareholders' Role

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

All Directors, other than one managing director, are subject to re-election by rotation, no later than every three years.

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

BSA will ensure that Mr David McLean of BDO who is the auditor as at June 2004, or a partner of the firm of BDO Chartered Accountants, will be in attendance at the Annual General Meeting and available to answer shareholder questions.

The Board, as a whole, is responsible for overseeing risk management.

Risk Management

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

The Board is responsible for ensuring the risks and opportunities are identified on a timely basis and that the Company's objectives and activities are aligned with the risks identified by the Board.

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

» implementation of Board approved operating plans and budgets;

» Board monitoring of progress against these budgets, including the monitoring of key performance indicators of both a financial and non financial nature; and

» The establishment of committees to report on specific risk as identified.

Monitoring Performance

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

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

The monitoring of BSA's performance by the Board and management assists in identifying the correct allocation of resources and staff to maximise the overall return to share¬holders.

Remuneration

The Board has an established Remuneration Committee comprising of the Chairman and two non-executive Directors.

The members of the Remuneration Committee are: B Baldwin (Chairman); B Crowley; G Mullane.

The role of the Remuneration Committee is to review the Company's remuneration plans, policies and practices, including compensation arrangements for the Non-Executive Directors, Joint Managing Directors and the Executive Team. It is also responsible for considering general remuneration policies and practices, recruitment and termination policies and superannuation requirements.

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

Conflicts of Interest Policy

The Board, management and staff must not knowingly become involved in a conflict of interest. They are required to identify any conflicts of interest they may have in dealings with the groups affairs. Moreover, there will be situations which, while perhaps justifiable, involve the appearance of a conflict of interest and they should be carefully reviewed.

Generally speaking, a possible conflict of interest involves any direct or indirect interest in, connection with or benefit from any outside activities (especially commercial activities), which might in any way adversely affect the Company.

Any facts which might involve the slightest possibility or appearance of a conflict of interest must be appropriately reported and approval obtained before proceeding.

Directors and staff are required to:

- seek the Company's consent before accepting a directorship on the board of another company;
- disclose any material interests they have in the Company's customers to their supervisor or Company Secretary and not manage customer relationships where they have such an interest;
- not participate in business activities outside their employment with the Company (whether as a principal, partner, director, agent, guarantor, investor or employee) that could adversely affect their ability to carry out their duties and responsibilities; and
- not solicit, accept or offer money, gifts, favours or entertainment which might influence, or might appear to influence, their business judgment.

Examples of actual or possible conflicts of interest include, but are not limited to the following:

- Directors and staff involvement with suppliers, contractors or customers of the Company.
- Misuse of Company information, facilities or assets.
- Ownership of property affected by the Company's actions or acquired as a result of information accessed from the Company.
- Appropriation or diversion or corporate opportunity. Direct or indirect interest in or position with a competitor of the Company.
- Membership on an outside board of directors.
- Relatives employed by customers, suppliers or competitors of the Company.
- Membership on related industry council's and boards.
- Loans made to business entities or individuals with which the Company does business.
- Requesting or accepting gifts, gratuities or benefits having more than a nominal token value from parties with which the Company does business.

Financials

BROADCASTING SERVICES AUSTRALIA LIMITED
AND CONTROLLED ENTITIES

ABN 50 088 412 748

Statement of Financial Performance

for the Year Ended 30 June 2004

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Revenue from ordinary activities	3	100,174	68,507	63,323	39,591
Cost of Sales		(75,521)	(49,643)	(51,047)	(30,843)
Employee benefits expense		(11,050)	(9,377)	(6,663)	(4,616)
Depreciation and amortisation expenses	4	(2,259)	(1,809)	(1,099)	(1,112)
Occupancy expenses		(1,006)	(1,500)	(581)	(1,082)
Borrowing cost expenses	4	(449)	(484)	(284)	(344)
Other expenses from ordinary activities		(5,095)	(4,690)	(2,183)	(2,137)
Profit/(loss) from ordinary activities before income tax (expense) benefit		4,794	1,004	1,466	(543)
Income tax (expense)/benefit relating to ordinary activities	5	(2,116)	(565)	(684)	79
Net profit/(loss) from ordinary activities after income tax (expense) benefit		2,678	439	782	(464)
Net profit attributable to outside equity interest		(14)	(53)	–	–
Net profit/(loss) attributable to members of the parent entity		2,664	386	782	(464)
Total changes in equity other than those resulting from transactions with owners as owners	26	2,664	386	782	(464)
Basic earnings per share	40	1.63 cents	0.32 cents		
Diluted earnings per share	40	1.50 cents	0.32 cents		

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 30 June 2004

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
CURRENT ASSETS					
Cash assets	6	290	1,341	170	2
Receivables	7	18,917	14,813	13,764	8,651
Inventories	8	2,898	2,783	1,422	635
Other	9	593	290	161	142
TOTAL CURRENT ASSETS		22,698	19,227	15,517	9,430
NON-CURRENT ASSETS					
Receivables	10	295	–	–	–
Other financial assets	11	–	–	22,504	22,504
Property, plant & equipment	12	3,013	2,700	1,445	1,146
Deferred tax assets	13	460	346	246	188
Intangible assets	14	19,893	21,930	1,543	2,215
TOTAL NON-CURRENT ASSETS		23,661	24,976	25,738	26,053
TOTAL ASSETS		46,359	44,203	41,255	35,483
CURRENT LIABILITIES					
Payables	15	11,853	13,402	13,154	10,413
Interest bearing liabilities	16	1,999	5,294	1,124	5,081
Current tax liabilities	17	1,755	1,411	692	148
Provisions	18	691	756	376	338
TOTAL CURRENT LIABILITIES		16,298	20,863	15,346	15,980
NON-CURRENT LIABILITIES					
Payables	19	–	289	–	149
Interest bearing liabilities	20	833	2,023	398	–
Deferred tax liabilities	21	19	11	–	8
Provisions	22	214	–	83	–
TOTAL NON-CURRENT LIABILITIES		1,066	2,323	481	157
TOTAL LIABILITIES		17,364	23,186	15,827	16,137
NET ASSETS		28,995	21,017	25,428	19,346
EQUITY					
Parent entity interest					
Contributed equity	23	51,877	46,577	51,877	46,577
Accumulated losses	24	(23,004)	(25,668)	(26,449)	(27,231)
TOTAL PARENT ENTITY INTEREST		**28,873**	**20,909**	**25,428**	**19,346**
Outside equity interest in controlled entities	25	122	108	–	–
TOTAL EQUITY	26	28,995	21,017	25,428	19,346

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the Year Ended 30 June 2004

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Cash flows From Operating Activities:					
Receipts from customers		97,587	59,688	59,347	36,749
Payments to suppliers and employees		(92,026)	(55,369)	(57,336)	(38,374)
Interest received		11	–	11	–
Interest and other costs of finance paid	4	(449)	(484)	(284)	(344)
Other taxes paid		(3,948)	(1,830)	(589)	(554)
Income tax paid		(1,566)	(1,326)	(260)	(1,145)
Net Cash provided by (used in) operating activities	38 (a)	(391)	679	889	(3,668)
Cash flows from Investing Activities:					
Proceeds – sale of property, plant and equipment		23	274	9	234
Payment for property, plant and equipment		(707)	(1,684)	(468)	(293)
Cash acquired on acquisition of subsidiary and due diligence costs paid		–	25	–	(232)
Net cash (used in) investing activities		(684)	(1,385)	(459)	(291)
Cash flows from financing activities:					
Proceeds from issue of shares		5,509	–	5,509	–
Proceeds from borrowings from related party		–	1,000	–	1,000
Repayment of borrowings to related parties		(1,000)	–	(1,000)	–
Repayment of borrowings		(1,750)	–	–	–
Payment to related parties		–	(1,705)	(280)	–
Share issue costs		(209)	–	(209)	
Advance to related parties		–	–	(1,182)	
Net cash provided by (used in) financing activities		2,550	(705)	2,838	1,000
Net increase (decrease) in cash		1,475	(1,411)	3,268	(2,959)
Cash at the beginning of the financial period		(2,813)	(1,402)	(4,079)	(1,120)
Cash at the end of the financial period	6	(1,338)	(2,813)	(811)	(4,079)

The accompanying notes form part of these financial statements.

Notes

to and forming part of the accounts for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies

The financial report is a general purpose financial report and has been prepared in accordance with the requirements of Australian Accounting Standards, Urgent Issues Group Consensus Views, authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets. The concept of accrual accounting has been adopted in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

The financial report covers the consolidated entity of Broadcast Services Australia Limited and controlled entities, and Broadcast Services Australia Limited as an individual parent entity. Broadcast Services Australia Limited is a listed public company, incorporated and domiciled in Australia.

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

(a) Principles of Consolidation

The consolidated accounts comprise the accounts of Broadcast Services Australia Limited and all of its controlled entities. A controlled entity is any entity controlled by Broadcast Services Australia Limited. Control exists where Broadcast Services Australia Limited has the ability to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Broadcast Services Australia Limited to achieve the objectives of Broadcast Services Australia Limited. A list of controlled entities is contained within Note 35 to the accounts.

All inter-company balances and transactions between entities in the consolidated entity including any unrealised profits or losses have been eliminated on consolidation. Outside equity interests in the results and the equity of controlled entities are shown separately in the consolidated Statement of Financial Performance and Statement of Financial Position respectively.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Revenue Recognition

Revenue from the sale of goods is recognised upon delivery of the product to the customers.

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

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised as a percentage of the service delivered to the customer.

(c) 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 operating profit before income tax 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 operating profit before income tax and taxable income are brought to account either as a 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 are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefits.

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.

Tax consolidation legislation

The consolidated entity has decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not been notified of this decision.

As a consequence, Broadcast Services Australia Limited, as the head entity in the tax consolidated group, will recognise current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under an accounting tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense (revenue).

The companies forming part of the tax consolidated group are jointly and severally liable for any unpaid taxes.

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidated group are measured based on their carrying amounts at the level of the tax consolidated group before the implementation of the tax consolidation regime.

(d) Foreign Currency Transactions and Balances

Foreign currency transactions are converted to Australian currency at the rates of exchange at the dates of the transactions. Amounts receivable and payable at balance date are converted at the rates of exchange current at that date. The gains or losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in operating profit before income tax as they arise.

(e) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken as at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the date of acquisition. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies continued

(f) Receivables

Trade debtors are recognised when the risks and rewards of ownership of the underlying sales transactions have passed to customers. This event usually occurs on delivery of products or services to customers. Trade debtors are recorded at nominal amounts. Credit terms are 30 days. Collectability of overdue accounts is assessed on an ongoing basis. Specific provision is made for all doubtful accounts.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(h) Recoverable Amount of Non-Current Assets

The carrying amounts of non-current assets are reviewed annually by Directors to ensure they are not in excess of the recoverable amounts from these assets. The recoverable amounts are assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

(i) Depreciation of Property, Plant and Equipment

The depreciable amount of all fixed assets including capitalised leased assets is depreciated on a straight line basis over their estimated useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
– Plant & Equipment	10 – 33%
– Leased Plant & Equipment	18 – 22%
– Leasehold Improvements	7 – 33%

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity 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 consolidated entity 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.

(k) Intangibles

Goodwill

Where an entity or operation is acquired, the identifiable net assets are measured at fair value. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over 20 years, being the period the benefits are expected to arise.

The balances are reviewed annually and any balance representing future benefits the realisation of which is considered to be no longer probable is written off.

Trademarks

Trademarks comprise 100% ownership of the trademark for The Antenna Man.

(l) Trade and Other Creditors

These amounts represent unpaid liabilities for goods received by and services provided to the consolidated entity prior to the end of the financial year. The amounts are unsecured and are normally settled within 60 days.

(m) Investments

Investments are brought to account at cost. The carrying amount of investment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed having regard to the underlying net assets in the particular companies. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(n) Interest-Bearing Liabilities

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

(o) Employee Benefits

i) Wages and salaries, annual leave and sick leave

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

ii) Long Service Leave

The liability for long service leave 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 wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

iv) Superannuation

The contributions made to superannuation funds by entities within the consolidated entity are charged against profits when due.

v) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other creditors unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

vi) 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.

(p) Equity-based Compensation Benefits

Equity-based compensation benefits are provided to employees on a discretionary basis. Information in relation thereto is set out in Note 33: Employee Benefits.

No accounting entries are made until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as Share Capital. The amounts disclosed for remuneration of directors and executives in Note 29 includes the assessed fair values of options at the date they were granted.

(q) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, deposits at call and money market investments which are readily convertible into cash.

(r) Goods and Services Tax (GST)

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

(s) Rounding of Amounts

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

(t) Comparative Information

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

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attritutable 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.

(v) Disclosure of information regarding managing the transition to Australian Equivalents of International Financial Reporting Standards (IFRSs)

For years ending on or after 30 June 2006, all general purpose financial reports prepared in accordance with the requirements of Chapter 2M of the Corporations Act 2001 will be required to comply with Australian equivalents to International Financial Reporting Standards (IFRSs) instead of Australian Accounting Standards presently on issue. Comparative financial statements must also be presented in accordance with Australian equivalents to IFRSs for the year ending 30 June 2005.

1. Management of the Transition Process

In order to facilitate this transition process, the group has established a transition project team who reports to the Audit Committee. The transition project team has established a timetable for the transition process to ensure that each phase of the transition project is completed on schedule and to ensure a smooth implementation.

The group's transition process consists of three phases as follows:

Planning Phase

This phase involves setting out the timetable for transition and identifying differences in key accounting policies between current Australian Accounting Standards and the Australian equivalents to IFRSs to be adopted in future. It also involves an assessment of complex areas and a basic stocktaking of resources available to implement the process.

The planning phase has essentially been completed.

Diagnosis Phase

Training on specific Australian equivalents to IFRSs will be undertaken during this phase, particularly for staff directly involved in accounting functions.

The Diagnosis Phase also involves a more detailed analysis (than merely of key accounting policy differences) of measurement and disclosure impacts and preparatory work on revised statutory reporting templates. To ensure that quantitative information is available for AASB 1047 disclosures required at 30 June 2005, decisions will be taken on exemptions and options provided in AASB 1 "First Time Adoption of Australian equivalents to IFRSs and impairment testing will be performed on opening balance sheet carrying values of assets at 1 July 2004.

Business impacts (eg relationships with bankers and employees), accounting system changes, training and resource requirements will also be identified during this phase.

This phase has commenced and is due for completion by 31 March 2005.

Conversion Phase

During this phase, changes required to accounting and reporting systems will be finalised and tested. Agreements with Bankers and contracts with employees will be renegotiated to ensure that the consolidated entity is not prejudiced by the adoption of the new accounting framework. Key performance indicators will be reset and training will be undertaken

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

Note 1: Summary of Significant Accounting Policies continued

during this phase to ensure that all employees, accounting personnel and others, who are impacted by the adoption of Australian equivalents to IFRSs, are confident with new processes.

This phase is expected to be completed by 30 June 2005

2. Changes to Key Accounting Policies expected to arise as a result of the transition.

The group has identified the following key differences in accounting policies that are expected to arise from adopting Australian equivalents to IFRSs.

Share-Based Payments

The group does not currently recognise an expense for options issued to staff. On adoption of Australian equivalents to IFRSs, the group will recognise an expense for all share-based remuneration, including options, and will amortise those expenses over the relevant vesting periods. This will result in additional expenses over the relevant vesting periods. There will be an initial negative impact on the opening balance of accumulated losses at 1 July 2004 when retrospective adjustments are made for all options issued after 7 November 2002 that have not vested by 1 January 2005.

Goodwill

Goodwill acquired in a business combination, such as the consolidated entity's acquisition of its Subsidiaries, will not require amortisation, but will instead be subject to impairment testing at least annually. If there is any impairment of the goodwill value, it will be recognised immediately in the statement of financial performance. This will result in lower amortisation expenses, and therefore higher earnings on an annual basis, but with the introduction of this Accounting Standard increased volatility of results may occur, in the event of impairment.

Taxation

A "balance sheet approach will be adopted under Australian equivalents to IFRSs, replacing the "statement of financial performance approach currently used by Australian companies. The "balance sheet method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. Any initial adjustments to calculate deferred tax assets and liability balances on transition using the new basis will be made through opening balances of accumulated losses at 1 July 2004. Deferred tax asset and liability balances at 1 July 2004 can only be calculated once all other opening balance sheet amounts have been finalised at that date.

Revenue on Disposal of Assets

Currently the group includes gross revenue received on disposal of assets as revenue. Under Australian equivalents to IFRSs, gains and losses on sale of assets will be recognised on a net basis in revenue, resulting in lower revenue being recorded by the group.

Recognition of Revenue on Sale of Goods/Services

When the group adopts Australian equivalents to IFRSs, revenue from the sale of goods and services can only be recognised when the costs incurred or expected to be incurred can be reliably measured. This condition is currently not required and may result in revenue currently recognised being deferred to later periods. To the extent that revenue has been recognised under current standards at transition date that ought to have been delayed under Australian equivalents to IFRSs, an initial negative adjustment may be required to opening balances of accumulated losses at 1 July 2004.

Presentation Currency

The group is currently required to present the financial statements in Australian currency. Under Australian equivalents to IFRSs the group will continue to select Australian Dollars as its presentation currency.

Impairment of Assets

The group currently assesses the amount of impairment of assets by determining the recoverable amount on the basis of undiscounted cash flows. Under Australian equivalents to IFRSs, the group will be required to determine the recoverable amount as the higher of fair value less costs to sell and value in use (which is determined using discounted cash flows). It is likely that this change in policy and basis for calculation will lead to more impairment losses being recognised and therefore greater volatility in future earnings. It is also likely that when discounting is initially applied on transition at 1 July 2004, impairment losses may need to be recognised on a large number of assets, resulting in a negative impact on opening balances of accumulated losses at that date.

Non-Current Investments

Currently the group measures non-current investments at cost, with an annual review by directors to ensure that their carrying amounts are not in excess of their recoverable amount. Under Australian equivalents to IFRSs, subsequent measurement of non-current investments depends on the classification as outlined below:

Investments in Controlled Entities

Under Australian equivalents to IFRSs, these investments are not classified as held for sale and as such will be measured by the parent entity at cost with impairment tests performed when indicators of impairment are identified in accordance with AASB 136 Impairment of Assets. Initial impairment adjustments may arise because of the requirement to discount cash flows and these would have a negative impact on opening balances of accumulated losses at at 1 July 2004.

Note 2: Segment Information

Business Segments

The consolidated entity is organised into the following industry segments

Telecommunications and Broadcasting

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

Subscription TV and Free to Air

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

Geographic Segments

The consolidated entity currently operates in one geographic segment, being Australia. However, in 2003 the consolidated entity operated in both Australia and New Zealand.

Primary reporting – Business segments

2004	**Telecommunications and Broadcasting**	**Subscription TV and Free to Air**	**Consolidated**
	$'000	$'000	$'000
Sales to external customers	37,154	62,986	100,140
Other revenue	3	31	34
Total segment revenue	37,157	63,017	100,174
Segment result	4,190	604	4,794
Income tax expense			(2,116)
Net profit			2,678
Segment assets	7,625	38,734	46,359
Segment liabilities	4,913	12,451	17,364
Acquisition of property, plant and equipment, intangibles and other non current segment assets	380	935	1,315
Depreciation and amortisation expenses	332	1,927	2,259
Other non-cash expenses	–	–	–

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

Note 2: Segment Information continued

Primary reporting – Business segments

2003	**Telecommunications and Broadcasting**	**Subscription TV and Free to Air**	**Consolidated**
	$'000	$'000	$'000
Sales to external customers	20,316	47,917	68,233
Other revenue	–	274	274
Total revenue	20,316	48,191	68,507
Segment result	1,563	(559)	1,004
Income tax expense			(565)
Net profit			439
Segment assets	10,415	33,788	44,203
Segment Liabilities	9,606	13,580	23,186
Acquisition of property, plant and equipment, intangibles and other non current segment assets	723	961	1,684
Depreciation and amortisation expenses	234	1,575	1,809
Other non-cash expenses	–	–	–

Secondary reporting – Geographical segments

	Segment Revenues from sales to external customers		**Segment assets**		**Acquisitions of property, plant and equipment, intangibles and other non-current assets**	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Australia	100,174	68,402	46,359	44,203	1,315	1,684
New Zealand	–	105	–	–	–	–
	100,174	68,507	46,359	44,203	1,315	1,684

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000

Note 3: Revenue

	Note	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Revenue from operating activities:					
Sales revenue – sale of goods		16,622	13,241	10,582	6,913
Service revenue		83,518	54,992	52,721	32,444
		100,140	68,233	63,303	39,357
Revenue from non-operating activities:					
Interest – other parties		11	–	11	–
Proceeds on disposal of non-current assets		23	274	9	234
		34	274	20	234
Total revenue		100,174	68,507	63,323	39,591

Note 4: Profit From Ordinary Activities

Net Gains and Expenses

Profit/(loss) from ordinary activities before related income tax expense includes the following specific net gains and expenses:

	Note	Consolidated 2004	Consolidated 2003	Parent 2004	Parent 2003
Net Gains					
Net foreign exchange gain – realised		428	32	–	–
Net foreign exchange gain/(loss) – unrealised		(7)	161	–	–
		421	193	–	–
Expenses					
Cost of sales		75,521	49,643	51,047	30,843
Borrowing Costs					
Interest paid/payable to:					
– directors		32	–	32	–
– director-related entities		–	40	–	–
Other interest and finance charges		417	444	252	344
Total borrowing costs		449	484	284	344
Depreciation of non-current assets					
– property, plant and equipment		767	865	379	595
Total depreciation		767	865	379	595
Amortisation of non-current assets					
– plant and equipment under finance leases		104	137	2	62
– leasehold improvements		70	–	46	–
– goodwill		672	455	672	455
– goodwill on consolidation		646	352	–	–
Total amortisation		1,492	944	720	517
		2,259	1,809	1,099	1,112

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 4: Profit From Ordinary Activities continued					
Other charges against assets					
– write down of investments to recoverable amount	37	255	249	–	–
– write off loan owing by subsidiary		–	–	–	(91)
– write down of goodwill to recoverable amount	37	151	–	–	–
Total write-downs of non-current assets to recoverable amount		406	249	–	(91)
Net bad and doubtful debts expense – trade debtors		244	351	58	150
Net loss on disposal of assets:					
– property, plant and equipment		37	78	9	5
Operating loss on disposal of subsidiary		–	148	–	–
Rental expense on operating leases		712	668	400	398
Note 5: Income Tax					
The prima facie tax on the profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense in the accounts as follows:					
Prima facie tax payable on profit/(loss) from ordinary activities before income tax calculated @ 30% (2003: 30%)		1,438	301	440	(163)
Tax effect of permanent differences:					
Add:					
– amortisation of goodwill		395	242	202	137
– write down of investment in subsidiary		77	–	–	–
– write down of goodwill		45	–	–	–
– underprovision for income tax in prior year		116	–	8	–
– other non deductible expenses		45	22	34	(53)
		2,116	565	684	(79)
Income tax expense/(benefit) attributable to profit/(loss) from ordinary activities before income tax		2,116	565	684	(79)

Tax consolidation legislation

Broadcast Services Australia Limited and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1 (c).

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 6: Current Assets – Cash Assets					
Cash at bank and on hand		290	1,341	170	2
		290	1,341	170	2
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:					
Balances as above		290	1,341	170	2
Less: Bank overdrafts	16	(1,628)	(4,154)	(981)	(4,081)
Balances as per statement of cash flows		(1,338)	(2,813)	(811)	(4,079)

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 7: Current Assets – Receivables					
Trade debtors		17,328	13,694	10,782	6,801
Provision for doubtful debts		(439)	(291)	(267)	(174)
		16,889	13,403	10,515	6,627
Other debtors		2,028	1,410	8	33
Amounts receivable from:					
– wholly owned group		–	–	7,653	6,403
– provision for doubtful debts – wholly owned group		–	–	(4,412)	(4,412)
		–	–	3,241	1,991
Total Current Receivables		18,917	14,813	13,764	8,651
Note 8: Current Assets – Inventories					
Raw materials and stores at cost		2,191	1,233	1,422	559
Work in progress at cost		310	526	–	76
Finished goods at cost		397	1,024	–	–
		2,898	2,783	1,422	635
Note 9: Current Assets – Other					
Prepayments		593	290	161	142
Note 10: Non-current Assets – Receivables					
Other debtors		295	–	–	–
Total Non-Current Receivables		295	–	–	–
Note 11: Non-current Assets – Other Financial Assets					
Other (non-traded) investments					
Shares in controlled entities – at cost	35	–	–	22,504	22,504

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 12: Property, Plant & Equipment					
Buildings					
Leasehold improvements					
At cost		626	633	452	459
Less accumulated amortisation		(262)	(196)	(218)	(176)
		364	437	234	283
Plant and Equipment					
At cost		4,936	4,408	2,870	2,679
Less accumulated depreciation		(3,505)	(2,885)	(2,148)	(1,963)
		1,431	1,523	722	716
Hire purchase assets					
At Cost		354	354	167	167
Less accumulated amortisation		(35)	(35)	(20)	(20)
		319	319	147	147
Total Owned Plant and Equipment		1,750	1,842	869	863
Capitalised Leased Plant and Equipment					
At cost		1,111	541	344	–
Less accumulated amortisation		(212)	(120)	(2)	–
		899	421	342	–
Total Plant and Equipment		2,649	2,263	1,211	863
Total Property, Plant and Equipment		3,013	2,700	1,445	1,146

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the financial year are set out below:

	Note	Leasehold improvements $'000	Plant & equipment $'000	Leased plant & equipment $'000	Total $'000
Consolidated					
Carrying amount at start of year		437	1,842	421	2,700
Additions		–	706	609	1,315
Disposals		(3)	(31)	(27)	(61)
Depreciation/amortisation	4	(70)	(767)	(104)	(941)
Carrying amount at end of year		364	1,750	899	3,013
Parent Entity					
Carrying amount at start of year		283	863	–	1,146
Additions		–	468	344	812
Disposals		(4)	(14)	–	(18)
Transfer to controlled entity		–	(68)	–	(68)
Depreciation/amortisation	4	(45)	(380)	(2)	(427)
Carrying amount at end of year		234	869	342	1,445

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 13: Non-Current Assets – Deferred Tax Assets					
Future Income Tax Benefit – timing differences		460	346	246	188
Note 14: Non-Current Assets – Intangible Assets					
Goodwill at cost		9,377	9,377	9,377	9,377
Goodwill on consolidation		40,769	41,358	–	–
Less accumulated amortisation		(30,253)	(28,935)	(7,834)	(7,162)
		19,893	21,800	1,543	2,215
Patents/trademarks/licences at cost		–	130	–	–
		19,893	21,930	1,543	2,215
Note 15: Current Liabilities – Payables					
Trade creditors		3,777	7,398	1,964	1,526
Other creditors		8,076	6,004	6,058	3,475
Amounts payable to wholly owned subsidiaries		–	–	5,132	5,412
		11,853	13,402	13,154	10,413
Note 16: Current Liabilities – Interest Bearing Liabilities					
Secured liabilities:					
Bank overdrafts	6	1,628	4,154	981	4,081
Hire purchase liabilities		137	–	93	–
Lease liabilities	32	234	140	50	–
Amounts owing to:					
– director-related parties		–	1,000	–	1,000
		1,999	5,294	1,124	5,081

The bank overdrafts of the parent entity and subsidiaries are secured by fixed and floating charges registered by mortgage debenture over assets and undertakings of the parent entity and its subsidiaries along with interlocking guarantees and indemnities for $980,000 between the parent entity and its subsidiaries.

Lease liabilities and hire purchase liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 17: Current Liabilities – Current Tax Liabilities					
Income tax		1,755	1,411	692	148
Note 18: Current Liabilities – Provisions					
Employee benefits	33	691	756	376	338

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 19: Non-Current Liabilities – Payables					
Other creditors		–	289	–	149
		–	289	–	149
Note 20: Non-Current Liabilities – Interest Bearing Liabilities					
Secured liabilities:					
Hire purchase liabilities		202	–	111	–
Bank loans	28	–	1,750	–	–
Lease liabilities	32	631	273	287	–
		833	2,023	398	–

Lease liabilities and hire purchase liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Bank loans were secured with a first registered mortgage debentures over the assets and undertakings of BSA Transmission Solutions Pty Ltd. A guarantee and indemnity was given by each former director of BSA Transmission Solutions Pty Ltd.

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 21: Non-Current Liabilities – Deferred Tax Liabilities					
Provision for deferred income tax		19	11	–	8
Note 22: Non-Current Liabilities – Provisions					
Employee entitlements	33	214	–	83	–
		214	–	83	–

	Note	Parent Entity Number of Shares 2004	Parent Entity Number of Shares 2003	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 23: Contributed Equity					
(a) Share capital					
Ordinary shares					
Fully paid – issued	(b)	187,459,288	153,478,143	51,877	46,105
Fully paid – issued 3 October 2003		–	6,437,500	–	472
		187,459,288	159,915,643	51,877	46,577

Note 23: Contributed Equity continued

(b) Movements in ordinary share capital

Date	Details	Number of Shares	Issue Price $	$'000
1 July 2003	Opening Balance	159,915,643		46,577
22 April 2004	Institutional Placement	23,987,345	0.20	4,798
11 June 2004	Shareholder Share Purchase Scheme	3,556,300	0.20	711
		187,459,288		52,086
	Costs of equity raising	–		(209)
		187,459,288		51,877

(c) Ordinary Shares

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

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

The costs of raising the share capital in the year ended 30 June 2004 totalled $209,285. Pursuant to the poicy described in Note 1(e), the cost has been deducted from issued capital.

	Consolidated Entity		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Note 24: Accumulated Losses				
Accumulated losses at the beginning of the financial year	(25,668)	(26,054)	(27,231)	(26,767)
Net profit/(loss) attributable to members	2,664	386	782	(464)
Accumulated losses at the end of the financial year	(23,004)	(25,668)	(26,449)	(27,231)
Note 25: Outside Equity Interests In Controlled Entities				
Interest in:				
Share Capital	25	25		
Retained Profits	97	83		
	122	108		
Note 26: Equity				
Total equity at the beginning of the financial year	21,017	10,328	19,346	9,379
Total changes in equity recognised in the Statement of Financial Performance	2,664	386	782	(464)
Contributions of equity, net of transaction costs	5,300	10,431	5,300	10,431
Total changes in outside equity interest	14	(128)	–	–
Total equity at the end of the financial year	28,995	21,017	25,428	19,346
Note 27: Franking Account				
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and other adjustments.	2,892	1,326	1,405	1,145

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to and forming part of the accounts for the year ended 30 June 2004

Note 28: Financial Instruments

(a) Credit Risk Exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the statement of financial position, other than investments in shares, is generally the carrying amount, net of any provisions for doubtful debts.

Having a large proportion of debtors resulting from sales with three large customers exposes the consolidated entity to a level of credit risk which my be considered to be above a "normal" level.

(b) Interest Rate Risk Exposures

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

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

			Fixed Interest Rate Maturing				
2004	Note	Floating interest rate $'000	1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non-Interest bearing $'000	Total $'000
Financial Assets							
Cash and deposits	6	–	–	–	–	290	290
Receivables	7,10	–	–	–	–	19,212	19,212
		–	–	–	–	19,502	19,502
Financial Liabilities							
Bank overdrafts	16	1,628	–	–	–	–	1,628
Trade and other creditors	15	–	–	–	–	11,853	11,853
Lease and hire purchase liabilities	16,20	–	371	833	–	–	1,204
		1,628	371	833	–	11,853	14,685
Weighted average interest rate		7.3%	8.7%	8.7%			
Net financial assets/(liabilities)		(1,628)	(371)	(833)	–	7,649	4,817
2003							
Financial Assets							
Cash and deposits	6	–	–	–	–	1,341	1,341
Receivables	7	–	–	–	–	14,813	14,813
		–	–	–	–	16,154	16,154
Financial Liabilities							
Bank overdrafts	16	4,154	–	–	–	–	4,154
Trade and other creditors	15	–	–	–	–	13,402	13,402
Bank loans	20	1,750	–	–	–	–	1,750
Owing to director related party	16	1,000	–	–	–	–	1,000
Lease and hire purchase liabilities	16,20	–	140	273	–	–	413
		6,904	140	273	–	13,402	20,719
Weighted average interest rate		10.0%	9.0%	9.0%			
Net financial assets/(liabilities)		(6,904)	(140)	(273)	–	2,752	(4,565)

(c) Net Fair Value of Financial Assets and Liabilities

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

Note 29: Director and Executive Disclosures

Directors

The following persons were directors of Broadcast Services Australia Limited during the year and up to the date of this report:

- Brett Crowley, non-executive director and chairman
- Brian Baldwin, non-executive director and deputy chairman
- Greg Mullane, non-executive director
- Mark Foley, executive director and joint managing director
- Daniel Lipshut, executive director and joint managing director
- John Sambell, non-executive director. Resignation effective 30 June 2004.
- Robert Hallas, non-executive director. Resignation effective on 1 July 2003

Company Secretary

The company secretary is Ian McGregor ACA FCIS. Mr McGregor was appointed to the position of company secretary on 25 November 2003.

Remuneration of directors and executives

Principals used to determine the nature and amount of remuneration

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

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

Non-executive directors

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

Details of the nature and amount of each of the emoluments of each director of Broadcast Services Australia Limited and each of the 5 specified executives of the consolidated entity for the year ended 30 June 2004 are set out in the following table:

Directors

	Primary			Post Employment		Equity	
Director	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Retirement benefits	Options	Total $
Brett Crowley	50,000			4,500		6,692	61,192
Brian Baldwin	40,000						40,000
Greg Mullane	25,000						25,000
Mark Foley	200,282	37,555		19,730		13,384	270,951
Daniel Lipshut	167,293	37,555		16,173		13,384	234,405
John Sambell (a)	25,000						25,000
Total	507,575	75,110		40,403		33,460	656,548
Total 2003	385,941	33,303		28,208		128,459	575,911

(a) Resigned 30 June 04

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

Note 29: Director and Executive Disclosures continued

Executive remuneration

The executive pay and reward framework has the following components:

- Base pay and benefits
- Short term performance incentives
- Long-term incentives through grant of option rights to ordinary shares
- Other remuneration such as superannuation

The combination of these comprises the executive's total remuneration. The company intends to introduce long-term equity linked performance incentives specifically for executives during the year 2005, combined with changes in the current short-term incentives

The components of the executive pay and reward framework are:

Base pay

Base pay is structured as a total employment cost package which is delivered as a cash benefit. Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases fixed in any senior executives' contracts. Executives do not receive additional benefits such as health insurance, or tax advisory services or retirement benefits other than superannuation.

Short-term performance incentives

The remuneration committee sets pre determined performance targets for the company each year. If the respective executive's division or area of responsibility achieves its target the executive is entitled to receive their bonus component. This bonus would normally be paid in cash in the month following the target date.

Each year, the remuneration committee considers the appropriate targets and key performance indicators (KPIs) to link the bonus plan and the level of payout if the targets are met. This includes setting any maximum payout under the bonus plan, and minimum levels of performance to trigger payment of bonus.

For the year ended 30 June 2004, the KPIs linked to bonus plans for senior executives were based on the Divisional and Company Revenue and EBITDA targets. The KPI's are the same across the rest of the executive team. The short term bonus payments may be adjusted up or down in line with under or over achievement against the target performance levels. This is at the discretion of the remuneration committee.

Long term performance incentives

Long term incentives are an integral part of the remuneration program in rewarding an individual's contribution and potential contribution to the company's performance. These involve the issue of options to executives. This aspect of the reward program focuses the executive on the future performance of the company over a three to five year horizon. Options are granted to directors, and executives at the discretion of the Board. The Board is presenting an employee option plan to the company's members at the coming general meeting for ratification.

Remuneration of specified five executives with greatest activity for the strategic direction and operational management of the consolidated entity (these executives are also the highest remunerated as at 30 June 2004) is set out in the following table:

	Primary			Post Employment		Equity	
Executive	Cash salary and fees	Cash bonus	Non monetary benefits	Super-annuation	Retirement benefits	Options	Total $
John Chellingworth (a)	12,500			917			13,417
Vaughan Clark (b)	73,450			5,192			78,642
Brendan Foley	140,369	25,635		14,771		63	180,838
Ray Larkin	142,247	34.567		13,439		63	190,316
Ian McGregor (c)	114,230	44,800		15,903		182	175,115
Total	482,796	105,002		50,222		308	638,328
Total 2003	568,486		13,585	48,181			630,252

(a) commenced employment 31 May 2004

(b) commenced employment 1 January 2004

(c) commenced employment 10 November 2003

The senior executives in the above table, are those who have the greatest authority for strategic direction and operational management of the consolidated entity. The numbers in the above table reflect the amounts paid or accrued to the respective executive in the year.

Note 29: Director and Executive Disclosures continued

Service Agreements

Remuneration and other terms of employment for the directors, CFO and specified executives are contained in employment agreements. Each of these agreements provides for the provision of performance related cash bonuses, and participation, when eligible, to option grants over ordinary shares of Broadcast Services Australia Limited. Other major provisions of the agreements relating to remuneration are set out below.

Brett Crowley, Chairman and non-executive director

- Fees of $54,500 inclusive of superannuation

Brian Baldwin, Deputy Chairman and non-executive director

- Fees of $40,000

Greg Mullane, Non-executive director

- Fees of $25,000

Mark Foley, Joint Managing Director

- Term of current agreement is to September 2004
- Annual base salary $240,000 inclusive of superannuation and allowances, with a potential bonus of 0.5% of EBITDA
- Termination payment is equivalent of three months base salary

Daniel Lipshut, Joint Managing Director

- Term of current agreement is to September 2004
- Annual base salary $270,000 inclusive of superannuation and allowances, with a potential bonus of 0.5% of EBITDA
- Termination payment is equivalent of three months base salary

John Sambell, Non-executive director (resigned 30 June 2004)

- Fees of $25,000

John Chellingworth, General Manager Transmission Services (from 31 May 2004)

- Base salary inclusive of superannuation and allowances $165,000, with a potential bonus of $15,000 plus superannuation

Vaughan Clark, General Manager Franchise Division (from 1 January 2004)

- Base salary inclusive of superannuation and allowances $162,150
- Prior to this date V Clark was contracting to the company through Vautes Investments Pty Limited which received $53,333 in payments between 1 September 2003 and 31 December 2003

Brendan Foley, General Manager Metro Services

- Base salary inclusive of superannuation and allowances $176,700, with a potential bonus of $13,000 plus superannuation

Ray Larkin, General Manager Telecommunication Services

- Base salary inclusive of superannuation and allowances $135,000 with a potential bonus of $10,000 plus superannuation

Ian McGregor, Chief Financial Officer and Company Secretary (from 10 November 2003)

- Base salary inclusive of superannuation and allowances $198,000, with a potential bonus of $40,000 plus superannuation

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

Note 29: Director and Executive Disclosures continued

Share based compensation

Share options granted to specified directors and specified executives:

Options granted are subject to approval by the members at the General Meeting. Options are granted for no consideration and carry no dividend or voting rights. When exercisable, each option is converted into one ordinary share.

The number of options over ordinary shares in the company held during the financial year by each director of Broadcast Services Australia Limited and each of the specified executives of the consolidated entity are set out below:

Name	Balance at start of the year	Granted during the year as remuneration	Exercised during the year	Balance at the end of the year
Directors				
Brett Crowley	1,000,000	1,000,000		2,000,000
Mark Foley	2,000,000	2,000,000		4,000,000
Daniel Lipshut		2,000,000		2,000,000
Specified executives				
Brendan Foley		300,000		300,000
Ray Larkin		300,000		300,000
Ian McGregor		1,000,000		1,000,000

The terms and conditions of each grant of options over unissued ordinary shares of Broadcast Services Australia Limited, affecting remuneration, in this period or future reporting periods granted during or since the end of the financial year to any of the specified directors or specified executives of the company as part of their remuneration were as follows:

Name	Grant Date	Value per option at grant date	Vesting Date	Expiry Date	Exercise Price	Number of Options
Brett Crowley	5 Dec 02	$0.04	1 Oct 03	5 Dec 05	$0.20	1,000,000
Brett Crowley	25 Nov 03	$0.04	1 Jul 04	30 Jun 07	$0.20	1,000,000
Mark Foley	5 Dec 02	$0.04	1 Oct 03	5 Dec 05	$0.20	2,000,000
Mark Foley	25 Nov 03	$0.04	1 Jul 04	30 Jun 07	$0.20	2,000,000
Daniel Lipshut	25 Nov 03	$0.04	1 Jul 04	30 Jun 07	$0.20	2,000,000
Brendan Foley	28 Jun 04	$0.11	30 Jun 05	30 Jun 08	$0.26	100,000
Brendan Foley	28 Jun 04	$0.13	30 Jun 06	30 Jun 09	$0.26	100,000
Brendan Foley	28 Jun 04	$0.14	30 Jun 07	30 Jun10	$0.26	100,000
Ray Larkin	28 Jun 04	$0.11	30 Jun 05	30 Jun 08	$0.26	100,000
Ray Larkin	28 Jun 04	$0.13	30 Jun 06	30 Jun 09	$0.26	100,000
Ray Larkin	28 Jun 04	$0.14	30 Jun 07	30 Jun10	$0.26	100,000
Ian McGregor	28 Jun 04	$0.13	10 Nov 04	10 Nov 09	$0.26	333,334
Ian McGregor	28 Jun 04	$0.14	10 Nov 05	10 Nov 10	$0.26	333,333
Ian McGregor	28 Jun 04	$0.15	10 Nov 06	10 Nov 11	$0.26	333,333

Note 29: Director and Executive Disclosures continued

Share based compensation continued

The amount disclosed for emoluments relating to options above is the assessed fair value at grant date of options granted to directors and other executives, allocated equally over the period from grant date to vesting date. Fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value of options was calculated independently for the company by PricewaterhouseCoopers.

The model inputs for options granted during the year ended 30 June 2004 included:

(a) Options are granted for no consideration

(b) Vesting dates, grant dates and expiry dates are shown for each individual in the table above

(c) Share prices are collected at the grant date

(d) Expected price volatility of the company's shares: 45%

(e) Expected dividend yield: 0%

(f) Risk free interest rate: 5.49% to 5.77% (based on the relevant indicative yield applicable to Australian Government Bond maturing at the dates of the various adopted expected lives prevailing at the grant date).

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as laid out in the preceding tables for each director and executive.

Loans to Directors and executives

There were no loans to directors and executives in the year ending 30 June 2004

Other Director Transactions with Personally-Related Entities

A director, Daniel Lipshut, is a director of Intercorp Pty Limited. Intercorp Pty Limited provides consulting services to Broadcast Services Australia Limited and certain of its controlled entities on normal commercial terms and conditions.

Aggregate amounts for the above type of transaction with directors of Broadcast Services Australia Limited:

	2004 $	2003 $
Amounts recognized as expense		
Consulting Fees	47,333	26,542

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 30: Remuneration of Auditors					
During the year the following services were paid to the auditor, its related practices and non-related audit firms.					
Assurance Services					
1. Audit Services					
Fees paid to BDO Chartered Accountants:					
Audit and review of financial reports and other audit work under the Corporations Act 2001		151	146	151	146
Total remuneration for audit services		151	146	151	146
2. Other Assurance Services					
Fees paid to BDO Chartered Accountants:					
Audit of regulatory returns		–	–	–	–
Total remuneration of other assurance services		–	–	–	–
Total remuneration for assurance services		151	146	151	146
Taxation Services					
Fees paid to BDO Chartered Accountants:					
Tax compliance services, including review of company income tax returns		26	48	26	48
Fees paid to non-BDO Chartered Accountants audit firms		5	–	5	–
Total remuneration for taxation services		31	48	31	48
Advisory Services					
Fees paid to BDO Chartered Accountants:					
Payroll processing services		18	26	18	26
Total remuneration for advisory services		18	26	18	26

Note 31: Contingent Liabilities

Contingent Liabilities

The parent entity and controlled entities had contingent liabilities at 30 June 2004 and 2003 in respect of:

Guarantees

Guarantees given in respect of office leases amounting to $157,333 (2003 – $216,833), performance amounting to $75,000 (2003 – $250,000) and leasing facilities amounting to $900,561 (2003 – $465,372) secured by fixed and floating charge to the bank over the assets of the consolidated entity.

Note 32: Capital And Leasing Commitments

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Operating Leases					
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:					
Within one year		400	540	227	269
Later than one year but not later than five years		579	769	550	123
Later than five years		–	119	–	–
		979	1,428	777	392
Finance Leases					
Commitments in relation to finance leases are payable as follows:					
Within one year		260	141	77	–
Later than one year but not later than five years		912	328	337	–
Later than five years		–	–	–	–
Minimum lease payments		1,172	469	414	–
Less future finance charges		(307)	(56)	(77)	–
Total Lease Liability		865	413	337	–
Represented by:					
Current liability	16	234	140	50	–
Non-current liability	20	631	273	287	–
		865	413	337	–

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

	Note	Consolidated Entity 2004 $'000	Consolidated Entity 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Note 33: Employee Benefits					
Employee benefits and related on-costs liabilities					
Included in other creditors – current	15	794	1,001	641	266
Provision for employee benefits – current	18	691	756	376	338
Provision for employee benefits – non-current	22	214	–	83	–
Aggregate employee benefits and related on-costs liabilities		1,699	1,757	1,100	604

	Consolidated Entity 2004 Number	Consolidated Entity 2003 Number	Parent Entity 2004 Number	Parent Entity 2003 Number
Employee numbers				
Number of employees at the end of the financial year	214	198	87	82

As explained in Notes 1(o)(ii), and (v), amounts for long service leave and termination benefits that are expected to be settled more than 12 months from the reporting date are measured at their present values. The following assumptions were adopted in measuring present values:

	Consolidated Entity 2004	Consolidated Entity 2003	Parent Entity 2004	Parent Entity 2003
Long service leave				
Weighted average rates of increase in annual employee benefits to settlement of the liabilities	3%	3%	3%	3%
Weighted average discount rates	5%	5%	5%	5%
Weighted average terms to settlement of the liabilities	5 Years	5.5 Years	6 Years	6.5 Years

There are currently no liabilities for termination benefits that are expected to be settled more than 12 months from the reporting date.

Employee Share Scheme

A scheme under which shares may be issued by the company to employees for no cash consideration is to be considered and ratified by shareholders at the 2004 annual general meeting. All permanent employees (excluding executve directors) who have been continuously employed by the consolidated entity for a period of at least one year will be eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Under the scheme, eligible employees may be offered up to $1,000 worth of fully-paid ordinary shares in Broadcast Services Australia Limited annually for no cash consideration. The market value of shares issued under the scheme, measured as the weighted average market price on the day of issue of the shares, will be recognised in the statement of financial position as share capital and as part of employee benefit cost. No shares under this scheme have been issued to the end of the financial year.

Offers under the scheme will be at the discretion of the Directors.

Shares under the scheme may not be sold until the earlier of three years after issue or cessation of employment with the consolidated entity. In all other aspects the shares rank equally with other fully-paid ordinary shares on issue (see Note 23 (c)).

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

Note 34: Related Party Transactions

Directors and specified executives

Disclosures relating to directors and specified executives are set out in Note 29.

Wholly-owned group

The wholly-owned group consists of Broadcast Services Australia Limited and its wholly owned controlled entities Comet Satellite & Cable (NQ) Pty Ltd, Mr Antenna Pty Ltd, Satellite Receiving Systems (QLD) Pty Ltd, Mr Alarms Pty Ltd, Evcom Australia Pty Ltd, BSA Transmission Solutions Pty Ltd and Mr. Hot Water Australia Pty Ltd. Ownership interests in these controlled entities are set out in Note 35.

Transactions between Broadcast Services Australia Limited and other entities in the wholly-owned group during the years ended 30 June 2004 and 2003 consist of:

(a) loans advanced by Broadcast Services Australia Limited;

(b) loans repaid to Broadcast Services Australia Limited;

(c) Transfer of property, plant and equipment at cost by Broadcast Services Australia Limited.

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

	Parent Entity	
	2004 $'000	2003 $'000
Aggregate amounts brought to account in relation to transactions within the wholly-owned group:		
Loans advanced to controlled entities	1,615	2,223
Loans advanced from controlled entities	83	832
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Current receivables	7,653	6,403
Less provision for doubtful debts	(4,412)	(4,412)
	3,241	1,991
Aggregate amounts payable to entities in the wholly-owned group at balance date:		
Current payables	5,132	5,412

Other related parties

Aggregate amounts included in the determination of profit from ordinary activities before related income tax that resulted from transactions with each class of other related parties:

	Consolidated Entity		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Dividend revenue				
Controlled entities	31	27	–	–

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

Ownership interests in related parties

Interest held in controlled entities are set out in Note 35.

Loans from directors

2004 Director	Balance at start of the year $	Interest paid for the year $	Interest not charged $	Balance at the end of the year $
Brian Baldwin	1,000,000	31,795	–	–

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

Note 35: Investments in Controlled Entities

Name of entity	Country of incorporation	Class of shares	Equity 2004 %	Holding 2003 %
Comet Satellite & Cable (NQ) Pty Ltd	Australia	Ordinary	100%	100%
Mr Antenna Pty Ltd (1)	Australia	Ordinary	100%	100%
Satellite Receiving Systems (QLD) Pty Ltd	Australia	Ordinary	100%	100%
Mr Alarms Pty Ltd (2)	Australia	Ordinary	100%	100%
Evcom Australia Pty Ltd	Australia	Ordinary	100%	100%
The Antenna Man (WA) Pty Limited (3)	Australia	Ordinary	51%	51%
BSA Transmission Solutions Pty Limited (4)	Australia	Ordinary	100%	100%
Mr Hot Water Australia Pty Limited	Australia	Ordinary	100%	0%

Formerly

(1) Digital TV Installations Pty Ltd

(2) Rubyard Pty Ltd

(3) NoTron 329 Pty Ltd

(4) BSA Pty Limited

Note 36: Economic Dependency

Broadcast Services Australia Limited derives 63% of its revenue from its major clients Foxtel, Telstra and Optus and is dependent on those entities' ability to both maintain and attract subscribers.

Note 37: Events Occurring After Reporting Date

The following matters occurred after the balance date:

Since 30 June 2004 the company has sold its 51% interest in the subsidiary The Antenna Man (WA) Pty Ltd to the minority shareholders. The company's 51% holding in The Antenna Man (WA) Pty Ltd was sold for $145,000, after payment of a $20,000 dividend to the members. The investment value in the financial statements as at 30 June 2004 has been adjusted to the sale price of $145,000 from $400,000. Aditionally the valuation of $151,000 in the accounts for goodwill related to the business, has been written off.

	Consolidated Entity		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000

Note 38:

(a) Reconciliation of profit/(loss) from ordinary activities after income tax to net cash inflow/(outflow) from operating activities

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Profit/(loss) from ordinary activities after related income tax	2,664	386	782	(464)
Depreciation and amortisation	2,259	1,809	1,099	1,112
Write down investments to recoverable amount	406	–	–	–
Net loss on sale of non-current assets	37	78	9	5
Change in operating assets and liabilities				
(Increase) in trade debtors	(3,486)	(7,425)	(3,888)	(2,809)
(Increase) decrease in inventories	(115)	(977)	(787)	228
(Increase) in future income tax benefit	(114)	(187)	(58)	(73)
(Increase)/decrease in other operating assets	(1,215)	(1,472)	6	(1,976)
Increase/(decrease) in trade creditors	(3,621)	2,793	438	2,937
Increase/(decrease) in other operating liabilities	1,980	4,161	2,631	(1,782)
Increase/(decrease) in provision for income taxes payable	657	(877)	544	(1,144)
Increase/(decrease) in provision for deferred income tax	8	(19)	(8)	(7)
Increase in other provisions	149	2,409	121	305
Net cash inflow/(outflow) from operating activities	(391)	679	889	(3,668)

(b) Credit standby arrangements with banks

	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Credit facility	5,678	5,000	3,329	3,000
Amount utilised	(1,556)	(4,806)	(990)	(3,056)
Unused credit facility	4,122	194	2,339	(56)

The major facility is summarised as follows:

Working Capital Facility

The facility is for a maximum of $10,000,000 and is reviewed annually by the bank. Interest rates are variable. The current rate is 6.8%.

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

(c) Guarantees

Guarantees given in respect of the above facility are secured by fixed and floating charge to the bank over the assets of the company together with guarantees in favour of the parent given by all controlled entities.

Notes continued

to and forming part of the accounts for the year ended 30 June 2004

	Consolidated Entity		Parent Entity	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Note 39: Non-cash Financing and Investing Activities				
Acquisition of plant and equipment by means of finance leases	608	–	344	–

	Consolidated Entity	
	2004 Cents	2003 Cents
Note 40: Earnings per Share		
Basic earnings per share	1.63	0.32
Diluted earnings per share	1.50	0.32

	Consolidated Entity	
	2004 Number	2003 Number
Weighted average number of shares used as the denominator		
Weighted average number of shares used as the denominator in calculating basic earnings per share.	163,052,945	121,822,763
Weighted average number of shares and potential ordinary shares used as the denominator in calculating diluted earnings per share.	169,313,493	121,822,763

	Consolidated Entity	
	2004 $'000	2003 $'000
Reconciliations of earnings used in calculating earnings per share		
Basic Earnings Per Share		
Net profit	2,678	439
Net profit attributable to outside equity interests	(14)	(53)
Earnings used in calculating basic earnings per share	2,664	386
Diluted Earnings Per Share		
Net profit	2,678	439
Net profit attributable to outside equity interests	(14)	(53)
Earnings used in calculating basic earnings per share	2,664	366

Information concerning the classification of securities

Options

Options granted to directors and employees are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 29.

Directors' Declaration

The directors declare that the financial statements and notes:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

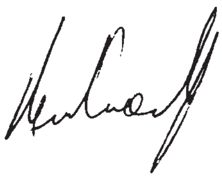
(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

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

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



Brett Crowley
Chairman
29 September 2004

Audit Report

BDO

Chartered Accountants & Advisers

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INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BROADCAST SERVICES AUSTRALIA 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 both Broadcast Services Australia Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit Approach

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

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

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

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

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

Independence

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

Audit Opinion

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

(a) the Corporations Act 2001, including:

 (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 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.

BDO
Chartered Accountants

D.S. McLean
Partner

Sydney, 29th September 2004

Shareholder Information

The shareholder information set out below was applicable as at 24 September 2004.

A. Distribution of Equity Securities

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

	Number of Holders	Ordinary Shares
1 to 1,000	213	161,187
1,001 to 5,000	666	2,183,352
5,001 to 10,000	293	2,522,632
10,001 to 100,000	520	18,007,797
100,001 and above	82	164,584,320
	1,774	187,459,288

There were 245 holders of less than a marketable parcel of ordinary shares.

B. Equity Security Holders

Twenty largest quoted equity security holders

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

	Ordinary Shares	
Name of Holder	**Number Held**	**Percentage of Issued Shares**
Intercorp Telecommunications Pty Limited	20,484,969	10.93%
Link Traders (Aust) Pty Ltd	18,607,017	9.93%
Hawke & Tusk Pty Limited	18,436,524	9.83%
Birketu Pty Ltd	16,100,000	8.59%
Mr Greg Mullane	13,552,679	7.23%
ANZ Nominees Limited	7,600,345	4.05%
J P Morgan Nominees Australia Limited	7,261,047	3.87%
Mr Robert Hallas	6,081,013	3.24%
Mr Neville Lovell	5,919,727	3.16%
Mr Lawrence Semple	5,919,727	3.16%
Mr Mark Foley	4,131,607	2.20%
National Nominees Limited	3,343,300	1.78%
Matthew Sean Cowley	3,164,750	1.69%
Berrara Beach Developments Pty Limited	3,000,000	1.60%
Cornish Group Investments Pty Ltd	3,000,000	1.60%
Permanent Trustee Australia Limited	2,750,000	1.47%
Queensland Investment Corporation	2,707,118	1.44%
Mr Wesley Spark	2,367,890	1.26%
Alfred Street Nominees Pty Limited	1,784,200	0.95%
T D A Securities Pty Ltd	1,229,293	0.66%
Top 20 Shareholders	147,441,206	78.65%

There are 56,648,000 shares subject to escrow until December 2004 with the conditional issue of 10,000,000 shares upon achievement of the following results by Transmission Solutions (TS) for the years ended 30 June 2004 and 2005:

If EBITDA of TS exceeds a total of $6.6 million for the years ended 30 June, 2004 and 2005, the 56 million shares will be released from escrow and the 10 million shares will be issued in accordance with the acquisition agreement.

If EBITDA of TS exceeds a total of $5.6 million but is less than a total of $6.6 million for the years ended 30 June, 2004 and 2005, the 56 million shares will be released from escrow and 10 shares in BSA Limited will be issued to the vendors for every $1 of EBITDA in excess of $5.6 million.

If EBITDA of TS is less than a total of $5.6 million for the years ended 30 June, 2004 and 2005, BSA Limited will cancel 10 escrowed shares for every $1 of EBITDA less than $5.6 million and the remaining amount of the 56 million shares will be released from escrow. None of the 10 million shares will be issued.

Shareholder Information continued

C. Substantial Holders

Substantial holders in the company are set out below:

Ordinary Shares	Number Held	Percentage
Intercorp Telecommunications Pty Limited	20,484,969	10.93%
Link Traders (Aust) Pty Ltd	18,607,017	9.93%
Hawke & Tusk Pty Limited	18,436,524	9.83%
Birketu Pty Ltd	16,100,000	8.59%
Mr Greg Mullane	13,552,679	7.23%

D. Voting Rights

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

(a) Ordinary shares

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

(b) Options

No voting rights.

Corporate Directory

Broadcast Services Australia Limited Registered Office

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	Unit 2, 19-21 Gibbes Street Chatswood NSW 2067 Phone: 02 9935 5900 Fax: 02 9935 5949
Brisbane	49 Borthwick Avenue Murrarie QLD 4172 Phone: 07 3902 7500 Fax: 07 3902 7550
	82-84 Basalt Street Geebung QLD 4034 Phone: 07 3865 4858 Fax: 07 3865 4859

Melbourne	3/87 Newlands Road Reservoir VIC 3073 Phone: 13 11 49 Phone: 03 9459 7800 Fax: 03 9460 1645
Adelaide	43B First Avenue Killkenny SA 5009 Phone: 08 8268 9523 Fax: 08 8268 4283
Perth	27 Irvine Drive Malaga WA 6090 Phone: 08 9247 8500 Facsimile: 08 9247 8588

Share Registry	Computershare Investor Services Pty Limited Yarra Falls 452 Johnson Street Abbotsford VIC 3067 Phone: 1300 850 505 Outside Australia: +61 3 9415 4000 Fax: +61 3 9473 2500
Auditor	BDO Chartered Accountants Level 19 2 Market Street Sydney NSW 2000
Banker	National Australia Bank Limited NAB House Level 25 255 George Street Sydney NSW 2000

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