

**THE TEN GROUP**  
**PTY LIMITED**

**ANNUAL**  
**REPORT**

For the year ended  
31 August 2004

ABN 50 057 564 708

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES  
FOR THE YEAR ENDED 31 AUGUST 2004**

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This financial report covers both The Ten Group Pty Limited as an individual entity and the consolidated entity consisting of The Ten Group Pty Limited and its controlled entities.

The Ten Group Pty Limited is a company limited by shares, incorporated and domiciled in Australia.

## **THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT**

The Directors of The Ten Group Pty Limited present their report on the consolidated entity, consisting of The Ten Group Pty Limited ("the Company") and its controlled entities, for the year ended 31 August 2004.

### **Directors**

The Directors that have been in office during the year and since year end are:

Mr NG Falloon, Chairman  
Mr LJ Asper (Alternate Mr PD Viner<sup>C</sup>)  
Mr JJ Cowin (Alternate Mr JB Studdy)  
Mr LS Freedman<sup>A</sup> (Alternate Mr BG Sechos<sup>D</sup>)  
Mr PV Gleeson (Alternate Mr NG Falloon)  
Mr PPA Harris (Alternate Mr PV Gleeson)  
Ms IYL Lee (Alternate Mr JB Studdy)  
Mr GH Levy (Alternate Mr PV Gleeson)  
Mr JH McAlpine (Alternate Mr NG Falloon<sup>E</sup>)  
Mr R Magid (Alternate Mr NG Falloon<sup>F</sup>)  
Mr BM Sherman<sup>B</sup> (Alternate Mr EP Sherman<sup>G</sup>)  
Mr TC Strike (Alternate Mr PD Viner<sup>H</sup>)  
Mr PD Viner (Alternate Mr TC Strike)

<sup>A</sup>: Mr LS Freedman resigned as a Director on 7 July 2004 and was re-appointed as a Director on 7 July 2004.

<sup>B</sup>: Mr BM Sherman resigned as a Director on 7 July 2004 and was re-appointed as a Director on 7 July 2004

<sup>C</sup>: Mr PD Viner ceased as Alternate Director for Mr LJ Asper on 4 August 2004.  
Mr TC Strike was appointed Alternate Director for Mr LJ Asper on 4 August 2004.  
Mr TC Strike ceased as Alternate Director for Mr LJ Asper on 4 August 2004.  
Mr PD Viner was appointed Alternate Director for Mr LJ Asper on 4 August 2004.

<sup>D</sup>: Mr BM Sherman ceased as Alternate Director for Mr LS Freedman on 7 July 2004.  
Mr BG Sechos was appointed Alternate Director for Mr LS Freedman on 7 July 2004.  
Mr BG Sechos ceased as Alternate Director for Mr LS Freedman on 3 August 2004.  
Mr NG Falloon was appointed Alternate Director for Mr LS Freedman on 3 August 2004.  
Mr NG Falloon ceased as Alternate Director for Mr LS Freedman on 3 August 2004.  
Mr BG Sechos was appointed Alternate Director for Mr LS Freedman on 3 August 2004.

<sup>E</sup>: Mr NG Falloon was appointed Alternate Director for Mr JH McAlpine on 23 March 2004.

<sup>F</sup>: Mr NG Falloon was appointed Alternate Director for Mr R Magid on 3 February 2004.

<sup>G</sup>: Mr BG Sechos ceased as Alternate Director for Mr BM Sherman on 17 November 2003.  
Mr LS Freedman was appointed Alternate Director for Mr BM Sherman on 17 November 2003.  
Mr LS Freedman ceased as Alternate Director for Mr BM Sherman on 18 November 2003.  
Mr BG Sechos was appointed Alternate Director for Mr BM Sherman on 18 November 2003.

Mr BG Sechos ceased as Alternate Director for Mr BM Sherman on 7 July 2004.  
Mr EP Sherman was appointed Alternate Director for Mr BM Sherman on 7 July 2004.

<sup>H</sup>: Mr PD Viner ceased as Alternate Director for Mr TC Strike on 5 July 2004.  
Mr PV Gleeson was appointed Alternate Director for Mr TC Strike on 5 July 2004.  
Mr PV Gleeson ceased as Alternate Director for Mr TC Strike on 6 July 2004.  
Mr PD Viner was appointed Alternate Director for Mr TC Strike on 20 August 2004.

### **Principal Activities**

The principal activities of The Ten Group Pty Limited and its controlled entities are the operation of commercial television licences TEN-10 (Sydney), ATV-10 (Melbourne), TVQ-10 (Brisbane), ADS-10 (Adelaide) and NEW-10 (Perth), and out-of-home advertising.

# THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES

## DIRECTORS' REPORT

### Result

The consolidated net profit after income tax for the year ended 31 August comprises:

	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
Earnings before interest, tax, depreciation and amortisation and non-recurring items	287,218	215,546
Depreciation	(18,569)	(17,626)
Amortisation	(3,517)	(3,517)
Earnings before interest, tax and non-recurring items	265,132	194,403
Non-recurring items	-	(20,000)
Earnings before interest and tax	265,132	174,403
Subordinated debenture interest	(97,887)	(87,791)
Net interest expense – other	(29,259)	(27,003)
Profit from ordinary activities before income tax	137,986	59,609
Income tax (expense)/revenue		
Normal	(44,787)	(23,503)
Non-recurring	-	50,726
Net profit from ordinary activities after income tax	93,199	86,832
Net loss attributable to outside equity interests	21	54
Net profit attributable to members of the Company	93,220	86,886

### Dividend

Since the end of the previous financial year a fully franked dividend of 15.2 cents per share (\$70,958,464), including a special dividend of 5.5 cents per share was paid on 19 December 2003 and a fully franked dividend of 8.627 cents per share (\$40,507,647) was paid on 30 June 2004 in respect of the results for the period to 30 June 2004. Dividends in respect to the six months to 31 December 2004 will be paid during December 2004.

### Review of Operations

The Directors were satisfied with the results of the consolidated entity for the year.

### Significant Changes in the State Of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the year.

### Events Subsequent to Balance Date

On 23 September 2004 (effective purchase date 1 September 2004), Eye Corp Pty Limited, a controlled entity, acquired the remaining 50% of the Eye Village Joint Venture and plant and equipment previously held by Village Roadshow for cash consideration of \$14.9m. Refer Note 26(b) for details of the Eye Village Joint Venture.

Other than the above, no matters or circumstances have arisen since balance date that have significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2004 of the consolidated entity and the entities it controls from time to time; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2004 of the consolidated entity.

### Likely Developments

Information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because, in the opinion of the Directors, it would prejudice the interests of the consolidated entity.

# THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES DIRECTORS' REPORT

## **Insurance of Officers**

During the financial year, a controlled entity arranged for directors and officers liability insurance cover for officers of the Company and related parties. An insurance premium was paid in relation thereto. The officers of the Company covered by this insurance include all Directors and all employees in positions of responsibility.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' insurance contracts as such disclosure is prohibited under the terms of the contract.

## **Indemnification of Officers**

The officers, including the Directors and Alternate Directors, of The Ten Group Pty Limited and its controlled entities are covered by a deed of indemnity.

The principal provisions of the deed of indemnity are:

- (a) a grant of certain indemnities in favour of the officers of the Company and its controlled entities in respect of proceedings which may be instituted by or against these officers relating to the performance of their duties;
- (b) the provision of access to the Board papers of the Company and its controlled entities for Directors and Alternate Directors; and
- (c) an undertaking that a policy of directors and officers liability insurance is maintained by the Company in respect of the officer for a period of 10 years after the officer ceases to be an officer of the Company and its controlled entities.

Additionally separate deeds of indemnity cover other executives of controlled entities who have been requested to act as Directors on the boards of other companies in which the Group holds an interest.

No liability has arisen under these indemnities at the date of this report.

## **Environmental Regulations**

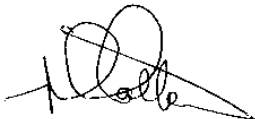
The consolidated entity is not subject to significant environmental regulations. Planning permission is required prior to the construction of new outdoor signage. A controlled entity also holds environmental licences for its manufacturing site in Victoria. The licenses require discharge to air and water to be below specified levels. These requirements arise under the Environmental Protection Authorities Regulations.

The Directors are not aware of any breaches to environmental regulations and are not aware of any infringement notices being issued.

## **Rounding of amounts to nearest thousand dollars**

The Company is of a kind referred to in Class Order 98/100 and accordingly the financial report has been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in Sydney on 13 October 2004 in accordance with a resolution of the Directors.



NG Falloon  
Chairman

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**STATEMENTS OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue from ordinary activities	2	833,136	732,995	823,938	725,674
Television costs		(498,532)	(483,376)	(601,297)	(548,116)
Out-of-home costs		(72,251)	(75,107)	-	-
Borrowing costs	3(b)	(127,933)	(117,333)	(99,116)	(88,358)
Share of net profit of associates and joint ventures accounted for using the equity method	26	3,566	2,430	-	-
Profit from ordinary activities before income tax		137,986	59,609	123,525	89,200
Income tax (expense)/revenue	4(a)	(44,787)	27,223	(41,124)	(13,635)
Net profit from ordinary activities after income tax		93,199	86,832	82,401	75,565
Net loss attributable to outside equity interests		21	54	-	-
<b>Net profit attributable to members of the Company</b>	24	<b>93,220</b>	<b>86,886</b>	<b>82,401</b>	<b>75,565</b>
Decrease in asset revaluation reserve	23	-	(208,098)	-	-
Net exchange difference on translation of financial report of foreign controlled entities	23	(138)	(431)	-	-
<b>Total changes in equity from non-owner related transactions attributable to the members of the Company</b>		<b>93,082</b>	<b>(121,643)</b>	<b>82,401</b>	<b>75,565</b>

*The above statements of financial performance should be read in conjunction with the accompanying notes.*

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 AUGUST 2004**

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Current Assets</b>					
Cash	5	17,842	20,982	1,886	2,225
Receivables	6	135,721	127,808	127,739	111,993
Program rights & inventories	7	131,476	123,417	-	-
Other	8	3,994	4,022	344	149
<b>Total Current Assets</b>		<b>289,033</b>	<b>276,229</b>	<b>129,969</b>	<b>114,367</b>
<b>Non-Current Assets</b>					
Receivables	9	1,646	736	603,464	605,259
Program rights & inventories	12	1,814	3,005	-	-
Investments accounted for using the equity method	10	13,161	10,162	-	-
Other financial assets	11	2,728	2,553	74,904	74,904
Property, plant and equipment	13	82,206	89,202	-	-
Intangibles	14	1,152,674	1,156,190	-	-
Deferred tax assets	4(e)	-	108	-	-
Other	15	2,508	3,193	1,762	1,268
<b>Total Non-Current Assets</b>		<b>1,256,737</b>	<b>1,265,149</b>	<b>680,130</b>	<b>681,431</b>
<b>Total Assets</b>		<b>1,545,770</b>	<b>1,541,378</b>	<b>810,099</b>	<b>795,798</b>
<b>Current Liabilities</b>					
Payables	16	222,117	215,875	67,012	68,808
Interest-bearing liabilities	17	1,601	945	-	-
Current tax liabilities	4(d)	10,435	16,110	10,430	15,267
Provisions	18	22,188	23,789	-	-
<b>Total Current Liabilities</b>		<b>256,341</b>	<b>256,719</b>	<b>77,442</b>	<b>84,075</b>
<b>Non-Current Liabilities</b>					
Payables	19	33,589	36,377	103,559	81,340
Interest-bearing liabilities	20	432,429	434,457	255,629	255,629
Deferred tax liabilities	4(f)	237,351	224,286	237,351	224,286
Provisions	21	1,926	1,796	-	-
<b>Total Non-Current Liabilities</b>		<b>705,295</b>	<b>696,916</b>	<b>596,539</b>	<b>561,255</b>
<b>Total Liabilities</b>		<b>961,636</b>	<b>953,635</b>	<b>673,981</b>	<b>645,330</b>
<b>Net Assets</b>		<b>584,134</b>	<b>587,743</b>	<b>136,118</b>	<b>150,468</b>
<b>Equity</b>					
Contributed equity	22	74,649	59,934	74,649	59,934
Reserves	23	543,599	543,737	6,585	6,585
Retained earnings	24	(34,107)	(15,947)	54,884	83,949
Total parent entity interest		584,141	587,724	136,118	150,468
Outside equity interests in controlled entities	30	(7)	19	-	-
<b>Total Equity</b>		<b>584,134</b>	<b>587,743</b>	<b>136,118</b>	<b>150,468</b>

*The above statements of financial position should be read in conjunction with the accompanying notes.*

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

	Note	Consolidated 2004 \$'000	2003 \$'000	The Company 2004 \$'000	2003 \$'000
<b>Cash and its equivalents</b>					
Cash on hand	5	80	80	-	-
Cash at bank	5	17,762	20,902	1,886	2,225
At end of year		17,842	20,982	1,886	2,225
At beginning of year		20,982	10,008	2,225	2,465
<b>Net cash (outflow)/inflow for the year</b>		<b>(3,140)</b>	<b>10,974</b>	<b>(339)</b>	<b>(240)</b>
Represented by:					
<b>Cash Flows from operating activities</b>					
Receipts from customers		905,194	786,459	648,889	561,189
Payments to suppliers and employees		(634,336)	(603,836)	(7,647)	(3,865)
Dividends received		200	1,915	-	-
Debt collection fee received		-	-	132,927	116,339
Network fee paid		-	-	(591,801)	(541,394)
Interest received		837	2,416	26,376	27,641
Bank interest paid		(26,187)	(26,501)	-	(291)
Income tax received/(paid)					
Prior year refunds received		2,343	71,188	1,959	67,592
Current year payments		(39,842)	(33,706)	(37,893)	(30,211)
Net cash flow from operating activities	36	208,209	197,935	172,810	197,000
<b>Cash Flows from investment activities</b>					
Acquisition of property, plant and equipment		(9,736)	(23,909)	-	-
Proceeds on disposal of property, plant and equipment		234	591	-	-
Payment for investments		(175)	(5,567)	-	(5,567)
Proceeds on sale of investments (net of cash disposed)		71	-	-	-
Advances/(repayments) from/(to):					
Controlled entities		-	-	26,986	(345,074)
Associated companies and joint ventures		-	122	-	-
Directors of controlled entities		-	350	-	-
Other		(237)	(169)	-	-
Net cash flow from investment activities		(9,843)	(28,582)	26,986	(350,641)
<b>Cash Flows from financing activities</b>					
Dividends paid					
Normal Dividend		(85,790)	(53,602)	(85,790)	(53,602)
Special Dividend		(25,676)	-	(25,676)	-
Debenture interest paid		(93,097)	(30,018)	(93,097)	(30,018)
Debenture interest – withholding tax		(9,309)	(3,002)	(9,309)	(3,002)
Amounts received re Tax Dispute		-	16,972	-	16,972
Financing establishment costs paid		(977)	(1,467)	(977)	(1,467)
Proceeds from exercise of options		14,714	14,434	14,714	14,434
Proceeds from borrowings		355,000	380,084	-	210,084
Repayment of borrowings		(356,371)	(481,780)	-	-
Net cash flow from financing activities		(201,506)	(158,379)	(200,135)	153,401
<b>Net cash (outflow)/inflow for the year</b>		<b>(3,140)</b>	<b>10,974</b>	<b>(339)</b>	<b>(240)</b>

*The above statements of cash flows should be read in conjunction with the accompanying notes.*

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

It is prepared in accordance with the historical cost convention except for certain assets which are at valuation. The accounting policies adopted are consistent with those of the previous year. Comparative information has been reclassified where appropriate to enhance comparability.

**(a) Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by the Ten Group Pty Limited (“the Company”) as detailed in Note 25 to the financial statements. The Ten Group Pty Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The financial statements of controlled entities are included from the date control commences until the date control ceases.

All intercompany transactions are eliminated in full. Outside equity interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

**(b) Income Tax**

The income tax expense or revenue for the year is the tax payable on the current year’s taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability.

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

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of distributions from controlled entities and it is probable that the temporary difference will not reverse in the foreseeable future.

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

**(c) Receivables and Revenue Recognition**

Revenue is recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Revenue from core operating activities consists of advertising and media revenues and is recognised when the advertisement has been broadcast/displayed or the media service performed.

Advertising and media revenues are disclosed after making allowance for commissions paid to advertising agencies.

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2004**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Receivables and Revenue Recognition (continued)**

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

**(d) Inventories**

***Television Program Rights***

Television programs which are available for broadcast are recognised as an asset and stated at cost. Series programs are written off in full upon initial airing. Features are amortised over their estimated useful lives. The carrying values of television program rights are reviewed on a periodic basis and, where required, written down to their recoverable amount.

Television programs at balance date for which the telecast licence period has commenced or will commence in the succeeding year have been classified as a current asset.

***Other Inventories***

All other inventories are carried at the lower of cost and net realisable value.

**(e) Property, plant and equipment**

Depreciation or amortisation is provided on fixed assets other than freehold land so as to write off the cost of the assets progressively over their estimated remaining useful lives. The straight line method of calculating depreciation is applied. The cost of the freehold land and buildings is supported by independent valuations conducted at least once every three years. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

	<b>2004</b>	<b>2003</b>
Buildings	40 years	40 years
Plant and Equipment	2 to 10 years	3 to 10 years

The cost of leasehold improvements is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

**(f) Intangibles**

***Television Licences***

Television licences are measured at fair value based on a Directors' valuation and are supported by an independent valuation received from Grant Samuel & Associates Pty Limited in October 2002. Revaluations are made with sufficient regularity to ensure that the carrying amount of television licences does not differ materially from fair value at the reporting date. Annual assessments are made by the Directors, supplemented by independent assessments at least every three years. The revaluation increments are credited directly to the asset revaluation reserve.

The television licences continue to be subject to Government legislation and regulation by the Australian Broadcasting Authority ("ABA"). The Directors have no reason to believe that the licences will not be renewed in due course.

No amortisation is provided against these assets as the Directors believe that the television licences do not have a limited useful life.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Intangibles (continued)**

*Other Licences*

Other licences represent capitalised outdoor site leases. These licences are being amortised on a straight line basis over the term of the site leases (approximately 20 to 40 years).

*Goodwill*

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. Goodwill is being amortised on a straight line basis over 20 years.

Directors review goodwill at each reporting date and recognise it as an expense to the extent that future benefits are no longer probable.

**(g) Investments**

*Controlled entities*

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

*Associates and Joint Ventures*

Investments in associates and joint ventures are carried in the Company's financial statements at the lower of cost and recoverable amount.

Investments in associates and joint ventures are detailed in Note 26 and comprise those investments where the consolidated entity exercises significant influence but not control.

Information determined in accordance with the equity method of accounting is detailed in Note 26 to the financial statements in respect of material investments in associated and joint venture companies. The consolidated entity's equity accounted share of the associates' and joint ventures' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases.

**(h) Leases**

*Operating leases*

Operating leases are those leases under which the lessor effectively retains substantially all the risks and benefits incident to ownership of leased non-current assets.

The present value of future payments for surplus leased space under non-cancellable operating leases is recognised as a liability, net of sub-leasing revenue, in the period in which it is determined that the leased space will be of no future benefit to the company. Each lease payment is allocated between the liability and finance charge.

*Finance leases*

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Recoverable Amount of Non-Current Assets Measured on the Cost Basis**

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

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is written down to its recoverable amount. The write down is recognised as an expense in the reporting period in which it occurs. Where the net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets.

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate. The discount rates used ranged from 10%-12% (2003: 10%-12%) depending on the nature of the assets.

**(j) Payables**

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

**(k) Employee Entitlements**

***Wages and Salaries, Annual Leave and Long Service Leave***

Liabilities for wages and salaries, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised, and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave expected to be settled more than 12 months from reporting date and Indonesian statutory severance entitlements are recognised, and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels including related on-costs, experience of employee departures and periods of service.

***Equity-Based Compensation Benefits***

***Ten Executive Option Plan***

In previous years, equity-based compensation benefits had been provided to employees via the Ten Executive Option Plan. Information relating to this scheme is set out in Note 32.

No accounting entries are made in relation to the Ten Executive Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital.

The Ten Executive Option Plan has been suspended.

***Ten Employee Performance Incentive Share Plan***

The market value of shares to be purchased for employees for no cash consideration under the Ten Employee Performance Incentive Share Plan is recognised as a liability and as part of employee benefit costs when the employees become entitled to the shares.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Intercompany Loans**

Loans between members of the consolidated entity have no specified terms of repayment but where it is unlikely that such amounts will be repayable within 12 months the advances have been included, as appropriate, in non-current assets or liabilities.

**(m) Cash**

For purposes of the statements of cash flows, cash includes cash management deposits at call net of outstanding overdrafts.

**(n) Interest Bearing Securities**

Interest bearing deposits and borrowings are stated at cost with interest income or expense brought to account in the periods to which they relate. Interest expense is accrued at the contracted rate and included in "Payables".

**(o) Borrowing Costs**

Borrowing costs are recognised as expenses in the period in which they are incurred. Borrowing costs include interest on bank overdrafts, finance lease charges, short-term and long-term borrowings. Ancillary costs incurred in connection with arrangement of borrowings are capitalised and amortised over the period of the loan.

So as to hedge some or all of the financial exposure of the long-term borrowings at variable market determined interest rates, the consolidated entity enters into interest rate swap contracts. The costs of such contracts are brought to account in the periods to which they relate and are included in interest expense.

**(p) Provisions**

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

***Dividends***

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

***Deferred Settlement Costs***

The consolidated entity has provided for payment of additional consideration in relation to the original acquisition of a lease. The timing and amount of payment are subject to the extension of the lease over the site.

***Onerous Contracts***

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds unrecognised assets.

**(q) Program Development**

The consolidated entity's long-term commitment to program planning and development requires significant expenditure on an infrequent basis. Accordingly, where appropriate, amounts are set aside as a charge against revenue to reflect more properly the ongoing nature of these expenses in the periods in which they accrue.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(r) Acquisition of Assets**

The cost method of accounting is used for all acquisitions of assets, regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

**(s) Foreign Currency Translation**

***Transactions***

Foreign currency transactions are translated at the rate applicable at the date of the transaction. At balance date amounts payable and receivable are translated at rates of exchange current at that date. All realised and unrealised currency translation gains and losses are brought to account in the statements of financial performance.

***Translation of Controlled Foreign Entities***

The assets and liabilities of foreign operations, including associates and joint ventures, that are self-sustaining are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

**(t) Web site costs**

Costs in relation to web sites controlled by a controlled entity are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the controlled entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits which vary from 2 to 5 years.

**(u) Maintenance and repairs**

The costs of maintenance and repairs are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with Note 1(e).

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(v) International Financial Reporting Standards (IFRS)**

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue Australian equivalents to IFRS, and the Urgent Issues Group will issue abstracts corresponding to International Accounting Standards Board interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 28 February 2006 and the year ending 31 August 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 September 2004.

The Ten Group Pty Limited has established a project team to manage the transition to Australian equivalents of IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Chief Financial Officer and reports to the audit committee. The project team has prepared a detailed timetable for managing the transition and is currently on schedule. To date the project team has analysed most of the Australian equivalents to IFRS and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under Pending Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Major changes identified to date that will be required to the consolidated entity's existing accounting policies include the following:

***Business Combinations – AASB 3***

Under AASB 3 Business Combinations, amortisation of goodwill will be prohibited. This will be replaced by annual impairment testing focusing on the cash flows of the related cash generating unit, or upon the occurrence of triggers that may indicate a potential impairment. Any impairment will be recognised in the statement of financial performance. This will result in a change to the current accounting policy, under which goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years. The prohibition of amortising goodwill will have the effect of reducing expenses and therefore increasing reported profits, subject to any impairment charges that may be required from time to time. The goodwill amortisation charge for The Ten Group Pty Limited for the year to 31 August 2004 was \$2.8m.

***Intangible Assets - AASB 138***

AASB 138 Intangible Assets requires that intangible assets such as television licences be carried at cost or fair value attributed to them in a business combination. Intangible assets can only be revalued if an active market exists. This requirement is retrospective which means there is no option to use the current carrying value under Australian GAAP as the deemed cost on first time adoption of AASB 138. The impact to The Ten Group Pty Limited will be that television licences will be reduced by the revaluation increment of \$751m resulting from the 2002 independent valuation. This reduction will also result in the reversal of a deferred tax charge on the revaluation of \$225m. The net of these adjustments, \$526m, will be made to the opening balance of reserves and retained earnings on the first time adoption of IFRS, assuming there is no impairment under Australian GAAP prior to IFRS.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(v) International Financial Reporting Standards (IFRS) (continued)**

***Impairment of Assets – AASB 136***

AASB 136 Impairment of Assets requires more prescriptive testing for individual assets or cash generating units. Ten Network Holdings Limited will be required to test individual television licences, investments property, plant and equipment and various other non-current assets for impairment on a discounted cash flow basis. On adoption of IFRS this may lead to increased volatility in future earnings if subsequent impairment write-downs arise.

***Equity-Based Compensation Benefits – AASB 2***

Under AASB 2 Equity-Based Compensation Benefits, benefits to employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation. This is not applicable to shares and options granted prior to November 2002. The Ten Executive Option Plan is currently suspended and no options have been granted since this date.

***Financial Instruments – AASB 132 & 139***

Under AASB 132 Financial Instruments: Disclosure and Presentation the current classification of financial instruments issued by entities in the consolidated entity will not change.

Under AASB 139 Financial Instruments: Recognition and Measurement there may be financial impacts. AASB 139 recognises fair value hedge accounting, cash flow hedge accounting and hedges of investments in foreign operations. Fair value and cash flow hedge accounting can only be considered when effectiveness tests are met on both a prospective and retrospective basis. Ineffectiveness outside the prescribed range precludes the use of hedge accounting, which may result in significant volatility in the statement of financial performance. The Ten Group Pty Limited will carry all derivative contracts, whether used as hedging instruments or otherwise, at fair value in the statement of financial position. We expect to use a combination of fair value and cash flow hedging in respect of our foreign currency and interest rate risk hedges. The use of cash flow hedging may create some volatility in equity reserve balances. The use of fair value hedging may create volatility in earnings. The impact on opening retained earnings at transition will depend on the fair value of our derivatives at that date.

***Borrowing Costs – AASB 123***

AASB 123 provides stricter guidelines for the capitalisation of borrowing costs in respect of 'qualifying assets' with the benchmark treatment requiring expensing of the costs. A decision to write off capitalised costs would impact opening retained earnings and would reduce depreciation and increase interest expense in future reporting periods. At 31 August 2004, The Ten Group Pty Limited has accumulated unamortised capitalised borrowing costs of \$2.1m. At this stage no decision has been made on whether The Ten Group Pty Limited will continue to capitalise borrowing costs or expense it as incurred.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have been fully analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>2 REVENUE FROM ORDINARY ACTIVITIES</b>					
<b>Revenue from Operating Activities</b>					
Sales revenue		831,930	729,865	664,635	581,694
Debt collection fees	33	-	-	132,927	116,339
<b>Revenue from Outside the Operating Activities</b>					
Interest					
Controlled entity	33	-	-	26,376	26,376
Other		787	2,539	-	1,265
Gross proceeds on sale of investments		174	-	-	-
Gross proceeds on sale of property, plant and equipment		234	591	-	-
Foreign exchange gain		11	-	-	-
<b>Total Revenue from Ordinary Activities</b>		<b>833,136</b>	<b>732,995</b>	<b>823,938</b>	<b>725,674</b>

**3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX**

**(a) Non-recurring items included in profit from ordinary activities before income tax**

Write down of program rights – Columbia features		-	(20,000)	-	-
		-	(20,000)	-	-

**(b) Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:**

Loss on sale of property, plant and equipment		21	73	-	-
Profit on sale of investments		(517)	-	-	-
Net foreign currency (gains)/losses		(11)	53	-	-
Network fee paid to controlled entity	33	-	-	591,801	541,394
Net bad and doubtful debts, including movements in provision for doubtful debts		90	441	-	-
Operating lease rentals					
Minimum lease payments		39,525	42,348	-	-
Contingent rental expense		11,163	9,589	-	-
Borrowing costs					
Subordinated debentures	33	97,887	87,791	97,887	87,791
Related entities		-	-	941	497
Other		30,046	29,542	288	70
		<b>127,933</b>	<b>117,333</b>	<b>99,116</b>	<b>88,358</b>

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

<b>Consolidated</b>		<b>The Company</b>	
<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

**3 PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX (continued)**

**(b) Profit from ordinary activities before income tax has been arrived at after charging/(crediting) the following items (continued):**

Depreciation and amortisation of property, plant & equipment				
Plant and equipment	17,838	16,204	-	-
Leasehold improvements	245	212	-	-
Buildings	258	253	-	-
Leased plant and equipment	716	957	-	-
Amortisation				
Goodwill	2,805	2,805	-	-
Other intangibles	712	712	-	-

**4 INCOME TAX**

**(a) Income tax expense**

Current income tax expense	33,708	42,563	31,321	56,941
Deferred income tax expense (2003 consolidated includes \$44,726,000 deferred tax revenue arising as a result of the tax consolidation legislation – see notes (b))	12,702	(69,786)	11,902	(43,306)
Prior year adjustments				
Withholding tax refund	(1,959)	-	(1,959)	-
Other	336	-	(140)	-
	<u>44,787</u>	<u>(27,223)</u>	<u>41,124</u>	<u>13,635</u>

Attributable to:

Profit from ordinary activities	<u>44,787</u>	<u>(27,223)</u>	<u>41,124</u>	<u>13,635</u>
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Deferred income tax expense/(revenue) included in income tax expense comprises:

Decrease in deferred tax assets	108	8,162	-	2,600
(Decrease)/increase in deferred tax liabilities	12,594	(77,948)	11,902	(45,906)
	<u>12,702</u>	<u>(69,786)</u>	<u>11,902</u>	<u>(43,306)</u>

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>4 INCOME TAX (continued)</b>				
<b>(b) Numerical reconciliation of income tax to prima facie tax payable</b>				
Profit before tax	137,986	59,609	123,525	89,200
Tax at the Australian tax rate 30%	41,396	17,883	37,058	26,760
Increase in income tax expense is due to:				
Non deductible expenditure				
Debenture interest	4,121	-	4,121	-
Amortisation	1,055	1,055	-	-
Other	374	2,193	321	-
Decrease in income tax expense is due to:				
Prior year adjustments				
Withholding tax refund	(1,959)	-	(1,959)	-
Other	336	(51)	(140)	-
Tax settlement	-	(3,196)	-	(3,433)
Tax benefit on losses transferred from controlled entities	-	-	-	(8,040)
Tax sharing agreement	-	-	1,723	(1,567)
Other	(536)	(381)	-	(85)
	44,787	17,503	41,124	13,635
Deferred income tax revenue arising from the resetting of the tax values of assets as a result of the tax consolidation legislation implemented on 1 July 2003	-	(44,726)	-	-
Income tax expense/(revenue)	44,787	(27,223)	41,124	13,635
Profit before tax – tax consolidated group (excluding parent entity)			13,617	(27,378)
Tax at the Australian tax rate 30%			4,085	(8,213)
Non deductible expenditure:				
Amortisation			888	888
Other			29	1,173
Prior year adjustments			91	(397)
Tax settlement			-	237
Tax sharing agreement			(1,723)	1,567
Deferred income tax revenue arising from the resetting of the tax values of assets as a result of the tax consolidation legislation implemented on 1 July 2003			-	(44,726)
Other			-	(41)
Income tax expense – tax consolidated group (excluding parent entity)			3,370	(49,512)
			44,494	(35,877)
Tax benefit on losses transferred on implementation of tax consolidations			-	8,040
	44,787	(27,223)	44,494	(27,837)
<b>(c) Amounts recognised directly in equity</b>				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Deferred tax- debited directly to equity	-	270,192	-	-
	-	270,192	-	-
<b>(d) Current tax liabilities/(receivables)</b>				
Provision for income tax	10,435	16,110	10,430	15,267

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>4 INCOME TAX (continued)</b>					
<b>(e) Deferred tax assets</b>					
The balance comprises temporary differences attributable to:					
Trade creditors and accruals		-	108	-	-
Net deferred tax assets		-	108	-	-
<b>(f) Deferred tax liabilities</b>					
The balance comprises temporary differences attributable to:					
The balance comprises temporary differences attributable to:					
Trade debtors		(212)	(383)	(212)	(383)
Provision for doubtful debts and advertising credits		(1,828)	(2,318)	(1,828)	(2,318)
Interest receivable		19	812	19	812
Television licences		208,098	208,098	208,098	208,098
Program rights		45,088	42,333	45,088	42,333
Property, plant and equipment		3,444	2,942	3,444	2,942
Capitalised costs		(520)	(505)	(520)	(505)
Lease liability		(1,011)	(1,489)	(1,011)	(1,489)
Trade creditors and accruals		(5,943)	(13,680)	(5,943)	(13,680)
Provisions		(6,333)	(7,085)	(6,333)	(7,085)
Tax losses		(3,451)	(4,439)	(3,451)	(4,439)
Net deferred tax liability		237,351	224,286	237,351	224,286
The potential deferred tax asset not brought to account is:					
Tax losses		521	521	-	-
Temporary differences		5,071	5,071	47,771	47,771

The benefit for tax losses will only be obtained if:

- (i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**4 INCOME TAX (continued)**

**Tax consolidation legislation**

The Ten Group Pty Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The Australian Taxation Office has not yet been notified of this decision.

The deferred tax balances recognised by the parent entity and the consolidated entity in relation to wholly-owned entities joining the tax consolidated group are initially measured and remeasured based on the carrying amounts of the assets and liabilities of those entities at the level of the tax consolidation group and their tax values, as applicable under tax consolidations. The resetting of tax values of the assets on entering the tax consolidation regime on 1 July 2003 has resulted in the following adjustments:

- A decrease in consolidated deferred tax liabilities of \$62,041,000
- An increase in consolidated asset revaluation reserve of \$17,315,000
- A decrease in current income tax expense of \$44,726,000

These adjustments resulted in a net increase in consolidated net assets and consolidated total equity of \$62,041,000.

The Ten Group Pty Limited, as the head entity in the tax consolidation group, recognises current and deferred tax amounts relating to transactions, events and balances of the 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 a 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 as a component of income tax expense/(revenue).

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>5 CASH</b>					
Cash on hand		80	80	-	-
Cash at bank		17,762	20,902	1,886	2,225
	31	<u>17,842</u>	<u>20,982</u>	<u>1,886</u>	<u>2,225</u>

**6 RECEIVABLES (CURRENT)**

Trade debtors		142,065	136,476	130,462	115,704
Provisions for doubtful debts and advertising credits		(6,749)	(8,827)	(2,723)	(3,711)
		<u>135,316</u>	<u>127,649</u>	<u>127,739</u>	<u>111,993</u>
Loans and advances					
Associated companies	33	2	2	-	-
Other		403	157	-	-
		<u>405</u>	<u>159</u>	<u>-</u>	<u>-</u>
	31	<u>135,721</u>	<u>127,808</u>	<u>127,739</u>	<u>111,993</u>

**7 PROGRAM RIGHTS & INVENTORIES (CURRENT)**

Program rights		130,947	122,411	-	-
Other inventories		529	1,006	-	-
		<u>131,476</u>	<u>123,417</u>	<u>-</u>	<u>-</u>

**8 OTHER ASSETS (CURRENT)**

Prepayments and sundry debtors		3,650	3,873	-	-
Capitalised borrowing costs		344	149	344	149
		<u>3,994</u>	<u>4,022</u>	<u>344</u>	<u>149</u>

**9 RECEIVABLES (NON-CURRENT)**

Loans and advances					
Associated companies	33	686	686	-	-
Other		960	50	-	-
Controlled entities					
Debentures	33	-	-	80,800	80,800
Other	33	-	-	522,664	524,459
	31	<u>1,646</u>	<u>736</u>	<u>603,464</u>	<u>605,259</u>

**10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

Associates	26(a),33	9,312	8,635	-	-
Joint ventures	26(b),33	3,849	1,527	-	-
		<u>13,161</u>	<u>10,162</u>	<u>-</u>	<u>-</u>

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>11 OTHER FINANCIAL ASSETS</b>					
Investments in listed securities					
Cost		-	-	5,679	5,679
Provision for diminution		-	-	(112)	(112)
		<u>-</u>	<u>-</u>	<u>5,567</u>	<u>5,567</u>
Investments in unlisted securities					
Controlled entities	33	-	-	69,337	69,337
Associated companies	33	2,119	2,119	-	-
Other	31	609	434	-	-
		<u>2,728</u>	<u>2,553</u>	<u>74,904</u>	<u>74,904</u>
<b>12 PROGRAM RIGHTS &amp; INVENTORIES (NON-CURRENT)</b>					
Program rights		<u>1,814</u>	<u>3,005</u>	<u>-</u>	<u>-</u>
<b>13 PROPERTY, PLANT AND EQUIPMENT</b>					
Freehold land					
At cost		<u>5,188</u>	<u>5,188</u>	<u>-</u>	<u>-</u>
Freehold buildings					
At cost		9,728	9,724	-	-
Accumulated depreciation		(2,259)	(2,001)	-	-
		<u>7,469</u>	<u>7,723</u>	<u>-</u>	<u>-</u>
Leasehold improvements					
At cost		5,293	4,488	-	-
Accumulated depreciation		(1,004)	(761)	-	-
		<u>4,289</u>	<u>3,727</u>	<u>-</u>	<u>-</u>
Plant and equipment					
At cost		185,762	176,900	-	-
Accumulated depreciation		(122,418)	(106,923)	-	-
		<u>63,344</u>	<u>69,977</u>	<u>-</u>	<u>-</u>
Leased Plant and Equipment					
At cost		6,817	6,799	-	-
Accumulated depreciation		(4,901)	(4,212)	-	-
		<u>1,916</u>	<u>2,587</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment					
Net book value		<u>82,206</u>	<u>89,202</u>	<u>-</u>	<u>-</u>

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**13 PROPERTY, PLANT AND EQUIPMENT (continued)**

	<b>Consolidated</b>	<b>The Company</b>
	<b>2004</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliations</b>		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
Freehold buildings		
Balance at beginning of year	7,723	-
Additions	4	-
Depreciation	(258)	-
Balance at end of year	7,469	-
Leasehold improvements		
Balance at beginning of year	3,727	-
Additions	811	-
Foreign currency exchange differences	(4)	-
Depreciation	(245)	-
Balance at end of year	4,289	-
Plant and equipment		
Balance at beginning of year	69,977	-
Additions	8,792	-
Disposals	(248)	-
Transfer from leased plant and equipment	51	-
Transfer from other assets	2,708	-
Foreign currency exchange differences	(98)	-
Depreciation	(17,838)	-
Balance at end of year	63,344	-
Leased plant and equipment		
Balance at beginning of year	2,587	-
Additions	104	-
Transfer to leased plant and equipment	(51)	-
Foreign currency exchange differences	(8)	-
Depreciation	(716)	-
Balance at end of year	1,916	-

**Valuations of Land and Buildings**

While land and buildings are carried at cost, an independent valuation was performed by International Valuation Consultants in October 2002. The basis of the land and buildings' independent valuation was fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Land and buildings were valued at \$15.9m for the consolidated group, compared to \$12.7m carried at cost.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>14 INTANGIBLES</b>					
Television licences		1,077,822	1,077,822	-	-
Other licences – cost		29,500	29,500	-	-
Accumulated amortisation		(2,624)	(1,912)	-	-
		26,876	27,588	-	-
Goodwill – cost		245,421	245,421	-	-
Writedown of goodwill		(172,451)	(172,451)	-	-
Accumulated amortisation		(24,994)	(22,190)	-	-
		47,976	50,780	-	-
		1,152,674	1,156,190	-	-
<b>15 OTHER ASSETS (NON-CURRENT)</b>					
Capitalised borrowing costs		1,762	1,268	1,762	1,268
Other		746	1,925	-	-
		2,508	3,193	1,762	1,268
<b>16 PAYABLES (CURRENT)</b>					
Trade creditors		156,536	147,545	8,853	7,005
Unearned income		2,425	2,568	-	-
Accrued interest					
Related entity	33	58,159	61,803	58,159	61,803
Other		4,997	3,959	-	-
	31	222,117	215,875	67,012	68,808
<b>17 INTEREST-BEARING LIABILITIES (CURRENT)</b>					
Lease liabilities	29,31	1,601	945	-	-
		1,601	945	-	-
<b>18 PROVISIONS (CURRENT)</b>					
Employee entitlements	32	12,837	12,940	-	-
Surplus lease space		249	345	-	-
Deferred settlement		3,000	3,000	-	-
Onerous contracts		3,515	4,184	-	-
Other		2,587	3,320	-	-
		22,188	23,789	-	-

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
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**18 PROVISIONS (CURRENT) (continued)**

**Movements in provisions**

Movements in each class of provision during the financial year, other than employee entitlements are set out below:

	Surplus lease space \$'000	Deferred settlement \$'000	Onerous contracts \$'000	Other \$'000	Total \$'000
<b>Consolidated – 2004</b>					
<b>Current</b>					
Carrying amount at beginning of year	345	3,000	4,184	3,320	10,849
Additional provisions recognised	-	-	774	-	774
Payments	-	-	-	(99)	(99)
Reductions from remeasurement	(96)	-	(1,443)	(634)	(2,173)
Carrying amount at end of year	249	3,000	3,515	2,587	9,351

	Note	Consolidated		The Company	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
<b>19 PAYABLES (NON-CURRENT)</b>					
Trade creditors		33,070	36,073	3	4
Loans					
Related entities		519	304	-	-
Other creditors and accruals					
Controlled entity	33	-	-	103,556	81,336
	31	33,589	36,377	103,559	81,340

**20 INTEREST-BEARING LIABILITIES (NON-CURRENT)**

Bank loan	31	175,000	175,000	-	-
USD senior unsecured notes	31	210,084	210,084	210,084	210,084
Debentures					
Subordinated	31,33	45,500	45,500	45,500	45,500
Convertible	31,33	45	45	45	45
Lease liabilities	29,31	1,800	3,828	-	-
		432,429	434,457	255,629	255,629

**21 PROVISIONS (NON-CURRENT)**

Employee entitlements	32	1,926	1,796	-	-
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**22 CONTRIBUTED EQUITY**

Paid up capital					
469,545,000 ordinary shares fully paid (2003:					
462,125,000)		74,649	59,934	74,649	59,934

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
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	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Asset revaluation		544,231	544,231	6,585	6,585
Foreign currency translation		(632)	(494)	-	-
		<u>543,599</u>	<u>543,737</u>	<u>6,585</u>	<u>6,585</u>

**Movements during the year**

Asset revaluation					
Balance at beginning of year		544,231	752,329	6,585	6,585
Decrement on revaluation of television licences		-	(208,098)	-	-
Balance at end of year		<u>544,231</u>	<u>544,231</u>	<u>6,585</u>	<u>6,585</u>
Foreign currency translation					
Balance at beginning of year		(494)	(63)	-	-
Net translation adjustment		(138)	(431)	-	-
Balance at end of year		<u>(632)</u>	<u>(494)</u>	<u>-</u>	<u>-</u>

**Nature and purpose of reserves**

*Asset Revaluation*

The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation to independent valuations in 1995 of land and buildings and a Directors' valuation of television licences in 2002.

*Foreign currency translation*

The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, as disclosed in accounting policy Note 1(s).

**24 RETAINED EARNINGS**

Retained earnings at beginning of year		(15,947)	(4,468)	83,949	61,986
Adjustments to opening retained earnings					
Disposal of self-sustaining foreign operations		86	-	-	-
Adoption of AASB 1020 Income Taxes		-	(44,763)	-	-
Adjusted retained earnings at the beginning of the financial year		<u>(15,861)</u>	<u>(49,231)</u>	<u>83,949</u>	<u>61,986</u>
Net profit attributable to members of the Company		93,220	86,886	82,401	75,565
Dividends paid		(111,466)	(53,602)	(111,466)	(53,602)
Retained earnings at end of year		<u>(34,107)</u>	<u>(15,947)</u>	<u>54,884</u>	<u>83,949</u>

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
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**25 CONTROLLED ENTITIES**

	<b>Ordinary Share</b>	
	<b>Consolidated Entity Interest</b>	
	<b>2004</b>	<b>2003</b>
	<b>%</b>	<b>%</b>
<b>Particulars in relation to controlled entities</b>		
<i>Parent entity</i>		
The Ten Group Pty Limited		
<i>Controlled entities</i>		
Ten Pay TV Pty Limited <sup>^</sup>	100	100
Network Ten Pty Limited (i)	100	100
Network Ten (Sydney) Pty Limited (i)	100	100
Network Ten (Melbourne) Pty Limited (i)	100	100
Network Ten (Brisbane) Pty Limited (i)	100	100
Television & Telecasters (Properties) Pty Limited (i)	100	100
Network Ten Nominees Pty Limited	100	100
Caprice Pty Limited (i)	100	100
Network Ten (Adelaide) Pty Limited (i)	100	100
Chartreuse Pty Limited (i)	100	100
Network Ten (Perth) Pty Limited (i)	100	100
Ten Employee Share Plans Pty Limited	100	-
Ten Ventures Pty Limited	100	100
Ten Online Pty Limited	100	100
Eye Corp Pty Limited	100	100
Eye Corp Australia Pty Limited (ii)	100	100
Eye Fly (Sydney) Pty Limited (ii)	100	100
Eye Drive Sydney No. 2 Pty Limited (ii)*	100	100
Pimington Pty Limited (ii)*	100	100
Olympic Murals 2000 Pty Limited (ii)*	100	100
Boyd Outdoor Advertising Pty Limited (ii) <sup>#</sup>	-	100
Eye Digital Pty Limited <sup>#</sup>	-	100
NLD Pty Limited <sup>#</sup>	-	100
Australian Airport Advertising Pty Limited (ii)	100	100
Eye Corp Airport Advertising Pty Limited (ii)	100	100
Eye Drive Sydney Pty Limited (ii)	100	100
Eye Mall Media Pty Limited (ii)	100	100
Eye Corp New Zealand Limited	100	-
Eye Corp Asia Limited	100	100
Eyecorp Limited	-	100
PT Netra Estha Muda	95	95
PT Agung Bali	67	67
PT Eye Corp (iii)	-	-
Eye Corp Media Pty Limited	100	100
Adval Holdings Pty Limited	100	100
Adval Australia Pty Limited	100	100

All the above controlled entities are incorporated in Australia, except for the following:

- Eye Corp Asia Limited (incorporated in Mauritius);
- Eyecorp Limited (incorporated in Myanmar);
- PT Netra Estha Muda, PT Agung Bali and PT Eye Corp (incorporated in Indonesia); and
- Eye Corp New Zealand Limited (incorporated in New Zealand on 31 August 2004).

\*: In liquidation

<sup>#</sup>: Deregistered during the year ended 31 August 2004

<sup>^</sup>: Deregistration in progress

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
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**25 CONTROLLED ENTITIES (continued)**

- (i) Refer to Note 37 for details of The Ten Group Pty Limited Deed of Cross Guarantee.  
(ii) Refer to Note 37 for details of the Eye Corp Pty Limited Deed of Cross Guarantee.  
(iii) Eye Corp Asia Limited has a 100% beneficial ownership interest in PT Eye Corp and PT Netra Estha Muda and a 70% beneficial ownership interest in PT Agung Bali.

**26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Share of net profits accounted for using the equity method included in the statement of financial performance					
Associates	26(a)	1,241	1,038	-	-
Joint ventures	26(b)	2,325	1,392	-	-
		<u>3,566</u>	<u>2,430</u>	-	-

**(a) Investments in equity accounted associates**

Name	Principal Activity/ Note	Balance Date	Ownership interest		Consolidated Amount of investment		The Company Amount of investment	
			2004 %	2003 %	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Held by Eye Corp Asia Limited								
Big Tree Outdoor Sdn Bhd	(i)	31 Dec	30.0	30.0	3,245	2,792	-	-
Held by The Ten Group Pty Limited								
Television & Media Services Ltd	(ii)	30 Jun	24.3	24.3	6,067	5,843	-	-
					<u>9,312</u>	<u>8,635</u>	-	-

The principal activities of the associated companies are:

- (i) Outdoor advertising  
(ii) Television, studio and field production services.

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Results attributable to associates</b>				
Profits from ordinary activities before income tax	1,859	1,480	-	-
Income tax expense	(458)	(387)	-	-
Profits from ordinary activities after income tax	<u>1,401</u>	<u>1,093</u>	-	-
Goodwill amortisation	(160)	(55)	-	-
	1,241	1,038		
Retained profits attributable to associates at the beginning of the financial year	<u>2,542</u>	<u>1,504</u>	-	-
Retained profits attributable to associates at the end of the financial year	<u>3,783</u>	<u>2,542</u>	-	-
<b>Reserves attributable to associates</b>				
<i>Foreign Currency Translation Reserve</i>				
Share of associates' reserve at beginning of year	(556)	(107)	-	-
Share of decrement in associates' reserve	(364)	(449)	-	-
Share of associates' reserve at end of year	<u>(920)</u>	<u>(556)</u>	-	-

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Movements in carrying amount of investments</b>				
Carrying amount at the beginning of the financial year	8,635	2,888	-	-
Investments in associates acquired during the year	-	5,567	-	-
Share of profits from ordinary activities after income tax	1,401	1,093	-	-
Goodwill amortisation	(160)	(55)	-	-
Dividends received/receivable	(200)	(409)	-	-
Share of decrement in associates' reserve	(364)	(449)	-	-
Carrying amount at the end of the financial year	<u>9,312</u>	<u>8,635</u>	<u>-</u>	<u>-</u>

**(a) Investments in equity accounted associates (continued)**

**Financial position of associates**

The consolidated entity's share of aggregate assets and liabilities of associates is as follows:

Current assets	4,094	3,903	-	-
Non-current assets	13,868	14,898	-	-
Total assets	<u>17,962</u>	<u>18,801</u>	<u>-</u>	<u>-</u>
Current liabilities	(3,586)	(3,456)	-	-
Non-current liabilities	(8,050)	(9,857)	-	-
Total liabilities	<u>(11,636)</u>	<u>(13,313)</u>	<u>-</u>	<u>-</u>
Net assets	<u>6,326</u>	<u>5,488</u>	<u>-</u>	<u>-</u>
<b>Share of associates' expenditure commitments as at 30 June</b>				
Capital commitments	46	1	-	-
Lease commitments	7,367	8,674	-	-
	<u>7,413</u>	<u>8,675</u>	<u>-</u>	<u>-</u>

There were no contingencies in respect of associates at the end of the financial year.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)**

**(b) Investments in joint venture companies**

Name	Principal Activity/ Note	Balance Date	Ownership interest		Consolidated Amount of investment		The Company Amount of investment	
			2004 %	2003 %	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Held by Eye Corp Pty Limited								
Eye Village Pty Limited	(i)	30 Jun	50.0	50.0	3,827	1,527	-	-
Eye Outdoor Pty Limited	(ii)	31 Aug	50.0	-	22	-	-	-
					3,849	1,527	-	-

The principal activities of the joint venture companies are:

- (i) Internal advertising in shopping centres.
- (ii) Outdoor advertising.

	Consolidated		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>Results attributable to joint ventures</b>				
Revenues	9,589	6,804	-	-
Expenses	(7,229)	(5,412)	-	-
Profits from ordinary activities before income tax	2,360	1,392	-	-
Income tax expense	(35)	-	-	-
Profits from ordinary activities after income tax	2,325	1,392	-	-
Retained profits attributable to joint ventures equity accounted for the first time	268	(1,124)	-	-
Retained profits attributable to joint ventures at the end of the financial year	2,593	268	-	-

**Reserves attributable to joint ventures**

*Foreign Currency Translation Reserve*

Share of joint ventures' reserve at beginning of year	14	-	-	-
Share of increment in joint ventures' reserve	(3)	14	-	-
Share of joint ventures' reserve at end of year	11	14	-	-

**Movements in carrying amount of investments**

Carrying amount at the beginning of the financial year	1,527	-	-	-
Carrying amount of joint ventures equity accounted for the first time	-	1,221	-	-
Investments in joint ventures acquired during the year	-	400	-	-
Share of profits from ordinary activities after income tax	2,325	1,392	-	-
Dividends received/receivable	-	(1,500)	-	-
Share of increment in joint ventures' reserve	(3)	14	-	-
Carrying amount at the end of the financial year	3,849	1,527	-	-

**Financial position of joint ventures**

The consolidated entity's share of aggregate assets and liabilities of joint ventures is as follows:

Current assets	2,924	1,593	-	-
Non-current assets	1,593	383	-	-
Total assets	4,517	1,976	-	-
Current liabilities	(668)	(449)	-	-
Non-current liabilities	-	-	-	-
Total liabilities	(668)	(449)	-	-
Net assets	3,849	1,527	-	-

There were no commitments or contingencies in respect of joint ventures at the end of the financial year.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
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<b>Consolidated</b>		<b>The Company</b>	
<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

**27 DIRECTORS' REMUNERATION**

Income paid or payable, or otherwise made available, to Directors of the Company and controlled entities by entities in the consolidated entity and related parties in connection with the management of affairs of the Company or its controlled entities

	5,065	4,365	4,350	3,793
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	<b>2004</b>		<b>2003</b>	
--	-------------	--	-------------	--

The number of Directors of the Company whose income from the Company or any related party falls within the following bands:

<b>\$'000</b>	-	<b>\$'000</b>		
0	-	10	3	3
10	-	20	8	8
20	-	30	3	3
1,350	-	1,360	-	1
1,440	-	1,450	1	-
2,250	-	2,260	-	1
2,710	-	2,720	1	-

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
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	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>28 AUDITORS' REMUNERATION</b>					
Audit and other assurance services:					
Auditors of the Company – PwC					
Audit or review of financial reports		417	383	-	-
Other audit related work		95	42	-	-
Other assurance services		64	113	-	-
		<u>576</u>	<u>538</u>	-	-
Other services:					
Auditors of the Company – PwC					
Taxation		359	625	-	-
		<u>359</u>	<u>625</u>	-	-
		<u>935</u>	<u>1,163</u>	-	-
The auditors' remuneration attributable to the Company is borne by a controlled entity.					
<b>29 COMMITMENTS</b>					
<b>(a) Capital expenditure commitments</b>					
Amounts contracted but not provided for:					
No later than one year		2,935	3,535	-	-
Later than one year and not later than five years		498	636	-	-
		<u>3,433</u>	<u>4,171</u>	-	-
<b>(b) Program expenditure commitments</b>					
Amounts contracted but not provided for:					
No later than one year		62,008	44,732	-	-
Later than one year and not later than five years		98,820	70,110	-	-
		<u>160,828</u>	<u>114,842</u>	-	-
<b>(c) Non-cancellable operating lease commitments</b>					
Minimum lease payments contracted but not provided for:					
No later than one year		36,234	38,074	-	-
Later than one year and not later than five years		76,410	89,814	-	-
Later than five years		41,975	29,259	-	-
		<u>154,619</u>	<u>157,147</u>	-	-
Less: Total future minimum sub lease payments receivable		-	7	-	-
		<u>154,619</u>	<u>157,140</u>	-	-
<b>(d) Finance lease commitments</b>					
Finance lease commitments are payable:					
No later than one year		1,604	1,677	-	-
Later than one year and not later than five years		2,162	3,446	-	-
		<u>3,766</u>	<u>5,123</u>	-	-
Less: Total future finance charges		365	350	-	-
		<u>3,401</u>	<u>4,773</u>	-	-
Represented by:					
Current	17	1,601	945	-	-
Non-current	20	1,800	3,828	-	-
		<u>3,401</u>	<u>4,773</u>	-	-

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES  
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**29 COMMITMENTS (continued)**

**(e) Superannuation**

The consolidated entity contributes superannuation benefits to numerous, but solely accumulation-type superannuation funds including personal, award based and the company administered fund at various percentages of salary pursuant to employee contracts and statutory obligations.

The assets of the company administered fund are at all times sufficient to satisfy all benefits that would have been payable in the event of the termination of the fund, and voluntary or compulsory termination of employment by each employee.

**30 OUTSIDE EQUITY INTERESTS**

	<b>Consolidated</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$000</b>	<b>\$000</b>
<b>Outside equity interests in controlled entities comprise:</b>		
Interest in share capital	-	-
Interest in reserves	(47)	40
Interest in retained earnings at the end of the financial year	40	(21)
Total outside equity interests	(7)	19

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
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**31 FINANCIAL INSTRUMENTS**

	Note	Fixed interest maturing in:				Non-interest bearing \$'000	Total \$'000
		Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
<b>2004 – Consolidated</b>							
<i>Financial assets</i>							
Cash	5	17,762	-	-	-	80	17,842
Receivables	6,9	-	-	-	-	137,367	137,367
Investments	11	-	-	-	-	609	609
		17,762	-	-	-	138,056	155,818
<i>Financial liabilities</i>							
Payables	16,19	-	-	-	-	255,706	255,706
Bank overdrafts and loans	20	175,000	-	-	-	-	175,000
USD senior unsecured notes	20	210,084	-	-	-	-	210,084
Subordinated debentures	20	45,500	-	-	-	-	45,500
Convertible debentures	20	45	-	-	-	-	45
Lease liabilities	17,20	-	1,601	1,800	-	-	3,401
		430,629	1,601	1,800	-	255,706	689,736
Net financial assets (liabilities)		(412,867)	(1,601)	(1,800)	-	(117,650)	(533,918)
Interest rate swaps *		(250,000)	35,000	165,000	50,000	-	-
Weighted average interest rate							7.04%
<b>2003 – Consolidated</b>							
<i>Financial assets</i>							
Cash	5	20,902	-	-	-	80	20,982
Receivables	6,9	-	-	-	-	130,340	130,340
Investments	11	-	-	-	-	434	434
		20,902	-	-	-	130,854	151,756
<i>Financial liabilities</i>							
Payables	16,19	-	-	-	-	252,251	252,251
Bank overdrafts and loans	17,20	175,000	-	-	-	-	175,000
USD senior unsecured notes	17	210,084	-	-	-	-	210,084
Subordinated debentures	20	45,500	-	-	-	-	45,500
Convertible debentures	20	45	-	-	-	-	45
Lease liabilities	17,20	-	945	3,828	-	-	4,773
		430,629	945	3,828	-	252,251	687,653
Net financial assets (liabilities)		(409,727)	(945)	(3,828)	-	(121,397)	(535,897)
Interest rate swaps *		(235,000)	50,000	135,000	50,000	-	-
Weighted average interest rate							5.95%

\* Notional principal amounts

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**31 FINANCIAL INSTRUMENTS (continued)**

The terms and conditions of financial instruments at balance date are:

	Security	Facility \$'000	Used at Balance Date	Unused at Balance Date	Period to Maturity
Bank loan	Unsecured	700,000	175,000	525,000	4 years (i)
USD senior unsecured notes	Unsecured	210,084	210,084	-	9 years (ii)
Bank guarantee	Unsecured	4,962	1,890	3,072	On demand – Note (v)
Subordinated debentures	Unsecured	45,500	45,500	-	39 years – Note (iii)
Convertible debentures	Unsecured	45	45	-	34 years – Note (iv)
Interest swap contracts	Unsecured	250,000	250,000	-	Up to 7 years

**Notes:**

- (i) In December 2003, The Ten Group Pty Limited, a controlled entity, refinanced its \$700m Syndicated Loan Facility to expire December 2008.
- (ii) In 2003, The Ten Group Pty Limited raised funds through USD \$125m Senior Unsecured Notes (due March 2013) in the US Private Placement market. The notes have been fully swapped by the use of foreign currency and interest rate swaps into an AUD floating exposure of \$210.084m. This amount will be required to be repaid to noteholders upon maturity in March 2013.
- (iii) The 45,500,000 subordinated debentures of \$1 each fully paid have a base interest rate of 15%. The rate of interest paid will be adjusted to the rate of dividend distribution (grossed up for Australian non- resident interest withholding tax to the extent such dividends are franked) should the dividend distribution amount exceed the base rate in any year. An equivalent amount of interest is also payable in the same proportion to any additional dividend distributions that may be paid from retained earnings. The notes cannot be redeemed until 30 December 2042, except to the extent that convertible debentures have to be converted. Since inception of the subordinated debentures, The Ten Group Pty Limited has claimed a tax deduction for the interest paid on the debentures each year. As part of the settlement reached with the Australian Taxation Office during the previous year, The Ten Group Pty Limited received debenture interest tax deductions until 30 June 2004.
- (iii) The 455,000 convertible debentures of \$1.01 each partly paid to 10 cents have a market linked interest rate and can each be converted to 1,000 ordinary shares at the option of the debenture holder in certain circumstances within 45 years from date of issue. The new ordinary shares would need to be subscribed for at the price of \$0.10 per share.
- (iv) Eye Corp Pty Limited has a bank guarantee facility of \$5.0m for securing site concessions. This bank guarantee is supported by guarantees of payment from The Ten Group Pty Limited and Eye Corp Pty Limited and its subsidiaries.

**Off-balance sheet financial assets and liabilities**

Except for the interest rate swap contracts and the foreign currency swap contract in note (ii) above, the consolidated entity has no other off-balance sheet financial assets and liabilities.

**Interest rate risk exposures**

The consolidated entity enters into interest rate swaps to manage cash flow risks associated with the interest rates on borrowings that are floating. Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rates.

**Credit risk exposures**

The credit risk on financial assets of the consolidated entity which have been recognised in the balance sheet is the carrying amount, net of any provisions for doubtful debts.

**Net fair value of financial assets and liabilities**

The net fair value of financial assets and liabilities of the consolidated entity is their carrying value. For equity investments, the net fair value is an assessment by the Directors based on any special circumstances pertaining to a particular investment.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

	Note	Consolidated		The Company	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
<b>32 EMPLOYEE ENTITLEMENTS</b>					
<b>Employee benefit and related on-costs liabilities</b>					
Provision for employee benefits - current	18	12,837	12,940	-	-
Provision for employee benefits – non-current	21	1,926	1,796	-	-
		14,763	14,736	-	-
<b>Number of employees</b>					
Number of employees at year end		1,227	1,282	-	-

**The Ten Executive Option Plan**

The Ten Executive Option Plan involves the issue of options in Ten Network Holdings Limited to Executives and senior management of the Company and its controlled entities. The total number of options that may be issued have been limited to 5% of the issued capital of The Ten Group Pty Limited. At balance date total options remaining on issue amounted to 3,040,000. A total of 665,000 of these options are exercisable subject to performance hurdles at a price of \$2.41 over the next year. A total of 500,000 of these options are exercisable subject to performance hurdles at a price of \$2.25 per share over the next two years. A total of 1,875,000 of these options are exercisable on certain nominated dates at a price of \$1.90 per share over the next eight years. All issued options are also subject to various vesting date arrangements. As of balance date, 840,000 options may be exercised, due to hurdle and vesting date preconditions having been met.

During the year ended 31 August 2004, 675,000 options were exercised at a price of \$2.11 per share, 200,000 options were exercised at a price of \$2.09 per share, 720,000 options were exercised at a price of \$2.41 per share, 200,000 options were exercised at a price of \$2.25 per share and 5,625,000 options were exercised at a price of \$1.90 per share.

Directors have had regard to the particular capital structure of the Company and Ten Network Holdings Limited and have implemented arrangements to ensure that dilution arising from the issue of new shares in Ten Network Holdings Limited under the terms of the Plan are matched at the Company level.

**The Ten Employee Award Plan**

This plan was established as a reward and incentive plan for employees of The Ten Group Pty Limited and its controlled entities. A controlled entity contributed \$1,000 per employee in 1998 for the on-market purchase of shares of Ten Network Holdings Limited on behalf of each employee. Although the shares are registered in the name of each employee, these shares are restricted from being traded for a period of three years from the date of grant, except for the termination of the employee or hardship circumstances. The plan is also designed to accommodate further contributions by The Ten Group Pty Limited and its controlled entities, however there is no commitment by the Company to make future contributions.

**The Ten Employee Savings Plan**

The Ten Employee Savings Plan was established as a mechanism for employees of the Company and its controlled entities for the purchase of shares in Ten Network Holdings Limited. Employees may set aside amounts from their remuneration and reward arrangements for the on-market purchase of such shares.

**The Ten Employee Performance Incentive Share Plan**

A limited number of senior Executives are invited to participate in a long-term incentive share plan.

For participants the maximum target incentive opportunity is shares to the value of 20% of total remuneration per annum. These shares are bought on market and paid in four equal tranches provided specified performance targets are met. The first tranche is paid on 1 January of the following year with the next 3 tranches of shares being provided on or about each successive anniversary of the first acquisition date. The issue of each tranche of shares is subject to the Executive still being employed by the Company at that date and they must have met their short-term incentive plan targets for the relevant financial year. Whilst employed by the Company the shares are subject to a trading lock for 5 years from issue.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

	Note	Consolidated		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<b>33 RELATED PARTY INFORMATION</b>					
<b>Ownership interest in related entities</b>					
Controlled entities	11	-	-	69,337	69,337
Associated companies- equity accounted	10,26(a)	9,312	8,635	-	-
- other	11	2,119	2,119	-	-
Joint venture companies	10,26(b)	3,849	1,527	-	-
		15,280	12,281	69,337	69,337
<b>Dividends</b>					
Dividends to controlling entities		93,909	44,936	93,909	44,936
<b>Amounts receivable from/(payable to) related entities</b>					
Controlled entities					
Receivable	9	-	-	603,464	605,259
Payable	19	-	-	(103,556)	(81,336)
		-	-	499,908	523,923
Associated companies					
Receivable	6,9	688	688	-	-
Related entities					
Payable	16	(58,159)	(61,803)	(58,159)	(61,803)
Subordinated debentures	20	(45,500)	(45,500)	(45,500)	(45,500)
Convertible debentures	20	(45)	(45)	(45)	(45)
		(103,704)	(107,348)	(103,704)	(107,348)

The amount of debenture interest ultimately payable is dependent on the amount of any dividend paid.

**Financial transactions with related entities**

Entity's name	Note	Nature of transaction at normal commercial terms
<b>Between controlled entities:</b>		
Network Ten Pty Limited	2	Interest on loans \$26.4m (2003: \$26.4m)
Eye Corp Pty Limited		Purchase of Out-of-home advertising by Network Ten Pty Limited of \$0.2m (2003: \$0.3m)
Eye Corp Pty Limited		Rental income charged by Network Ten Pty Limited, Network Ten (Adelaide) Pty Limited and Network Ten (Perth) Pty Limited of \$0.1m (2003: \$0.1m)
Eye Corp Pty Limited		Loan from The Ten Group Pty Limited of \$74.6m (2003: \$79.4m)
Network Ten Pty Limited	2,3	Debt collection fee revenue of \$101.9m (2003: \$89.3m)
Network Ten (Adelaide) Pty Limited	2,3	Management fees of \$510.5m (2003: \$469.0m)
Network Ten (Perth) Pty Limited	2,3	Debt collection fee revenue of \$13.7m (2003: \$11.9m)
		Management fees of \$36.8m (2003: \$32.6m)
Network Ten (Perth) Pty Limited	2,3	Debt collection fee revenue of \$17.3m (2003: \$15.1m)
		Management fees of \$44.5m (2003: \$39.7m)
<b>With related entities:</b>		
CanWest Global Communications Corp. (Group)	3	Interest on subordinated and convertible debentures \$97.9m (2003: \$87.8m)

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**33 RELATED PARTY INFORMATION (continued)**

**Contracts with Directors**

During the financial year, Competitive Foods Australia Limited entered into agreements in respect of the purchase of television airtime (through an advertising agency) from a controlled entity on normal commercial terms and conditions. Mr JJ Cowin, a Director of the Company, is Chairman of, and has a substantial interest in, Competitive Foods Australia Limited.

**Loans to/from Directors**

There were no loans to Directors of controlled entities during the current period.

**Network Agreements**

The Company has networking agreements with a number of its controlled entities whereby advertising revenues derived by those controlled entities are assigned to the Company. Revenues assigned by those controlled entities totalled \$664.6m (2003: \$581.7m). Management fees payable by the Company to controlled entities under the agreements totalled \$591.8m (2003: \$541.4m). Debt collection fees are also collected by the Company totalling \$132.9m (2003: \$116.3m).

**Controlling Entities**

The ultimate parent entity in the wholly owned group is The Ten Group Pty Limited. The ultimate parent entity is Ten Network Holdings Limited, a company listed on the Australian Stock Exchange, which at 31 August 2004 had a beneficial interest of 84.31% (2003: 84.06%) and an economic interest of 42.82% (2003: 42.35%).

**34 CONTINGENT LIABILITIES**

**General**

As part of its normal operations as a television broadcaster, the consolidated entity has received writs for defamation and various claims for damages. At balance date, the aggregate of all such claims will not give rise to any material liability.

Details and estimates of other maximum amounts of contingent liabilities are as follows:

	<b>Consolidated</b>		<b>The Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Unsecured guarantees by the parent entity and consolidated entity in respect of leases of controlled entities	43,706	34,856	43,706	34,856
Unsecured guarantees by the parent entity and consolidated entity in respect of leases of controlled entities	1,890	1,910	-	-
	<u>45,596</u>	<u>36,766</u>	<u>43,706</u>	<u>34,856</u>

No material losses are anticipated in respect of any of the above contingent liabilities.

**35 SEGMENT INFORMATION**

**Business segments**

The consolidated entity is organised into the following divisions by service type.

**Television**

Operation of commercial television licences TEN-10 (Sydney), ATV-10 (Melbourne), TVQ-10 (Brisbane), ADS-10 (Adelaide) and NEW-10 (Perth).

**Out-of-home**

Advertising media outside the home environment.

**Geographical segments**

The consolidated entity operates principally within Australia.

**Inter-segment transactions**

Segment revenues, expenses and results include transactions between segments. Such transactions are priced on an "arm's-length" basis and are eliminated on consolidation.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**35 SEGMENT INFORMATION (continued)**

**Primary reporting – business segments**

<b>2004</b>	Television \$'000	Out-of-home \$'000	Eliminations/ Unallocated \$'000	Consolidated \$'000
<b>Revenue</b>				
Sales to external customers	755,663	76,267	-	831,930
Inter-segment sales	116	207	(323)	-
Total sales revenue	755,779	76,474	(323)	831,930
Other revenue	895	311	-	1,206
Total revenue	756,674	76,785	(323)	833,136
<b>Segment Result</b>				
Result	271,756	11,896	-	283,652
Share of associates' and joint ventures' profit	335	3,231	-	3,566
EBITDA	272,091	15,127	-	287,218
Depreciation	(14,544)	(4,025)	-	(18,569)
Amortisation	-	(3,517)	-	(3,517)
EBIT	257,547	7,585	-	265,132
Borrowing costs	-	-	-	(127,933)
Interest revenue	-	-	-	787
Profit before tax	-	-	-	137,986
Income tax expense	-	-	-	(44,787)
Net Profit after tax	-	-	-	93,199
Depreciation and amortisation	14,544	7,542	-	22,086
<b>Assets</b>				
Segment assets	1,421,642	108,848	-	1,530,490
Investments in associates and joint ventures	8,186	7,094	-	15,280
Consolidated total assets	-	-	-	1,545,770
<b>Liabilities</b>				
Segment liabilities	938,107	23,529	-	961,636
Acquisitions of non-current assets	7,238	2,473	-	9,711

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**35 SEGMENT INFORMATION (continued)**

<b>2003</b>	Television \$'000	Out-of-home \$'000	Eliminations/ Unallocated \$'000	Consolidated \$'000
<b>Revenue</b>				
Sales to external customers	660,384	69,481	-	729,865
Inter-segment sales	119	289	(408)	-
Total sales revenue	660,503	69,770	(408)	729,865
Other revenue	3,033	97	-	3,130
Total revenue	663,536	69,867	(408)	732,995
<b>Segment Result</b>				
Result	210,308	2,808	-	213,116
Share of associates' and joint ventures' profit	193	2,237	-	2,430
EBITDA	210,501	5,045	-	215,546
Depreciation	(12,883)	(4,743)	-	(17,626)
Amortisation	-	(3,517)	-	(3,517)
EBIT	197,618	(3,215)	-	194,403
Non-recurring Items	(20,000)	-	-	(20,000)
Borrowing costs				(117,333)
Interest revenue				2,539
Profit before tax				59,609
Income tax revenue/(expense)				
Normal				(23,503)
Non-recurring				50,726
Net Profit after tax				86,832
Depreciation and amortisation	12,883	8,260	-	21,143
Other non-cash expenses	20,000	-	-	20,000
<b>Assets</b>				
Segment assets	1,416,377	112,720	-	1,529,097
Investments in associates and joint ventures	7,962	4,319	-	12,281
Consolidated total assets				1,541,378
<b>Liabilities</b>				
Segment liabilities	927,216	26,419	-	953,635
Acquisitions of non-current assets	27,666	2,206	-	29,872

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

<b>Consolidated</b>		<b>The Company</b>	
<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>

**36 NOTES TO THE STATEMENTS OF CASH FLOWS**

Reconciliation of profit from ordinary activities after income tax to net cash flow from operating activities

Net profit from ordinary activities after income tax	93,199	86,832	82,401	75,565
Non-cash revenue	(3,566)	(2,430)	-	-
Non-cash expenses	23,248	21,143	-	-
Dividends from associates	200	1,915	-	-
Loss on sale of non-current assets	21	73	-	-
Profit on sale of investments	(517)	-	-	-
Write down of program rights – Columbia features	-	20,000	-	-
Non-cash tax benefit due to tax consolidations	-	(44,726)	-	-
Debenture interest	97,887	87,791	97,887	87,791
Amount paid from provisions	(1,310)	(17,123)	-	-
Net increase in tax provisions	7,288	55,162	8,227	51,016
Net increase/(decrease) in accrued revenue and expense items in payables/(receivables)	(8,241)	(10,702)	(15,705)	(17,372)
Net cash flow from operating activities	208,209	197,935	172,810	197,000

**Non cash financing and investing activities**

During 2003, Ten Network Holdings Limited issued 350,000 shares to Copplemere Pty Limited in consideration for the acquisition by Ten Network Holdings Limited from Copplemere Pty Limited of 350,000 shares in The Ten Group Pty Limited pursuant to the relevant exchange deeds detailed in the Prospectus.

**37 DEED OF CROSS GUARANTEE**

There are two separate Deeds of Cross Guarantee within the consolidated entity. The Ten Group Pty Limited is the holding company under the first of the Deeds and those wholly owned subsidiaries party to The Ten Group Pty Limited Deed are listed in Note 25, reference note (i).

Eye Corp Pty Limited is the holding company under the second Deed of Cross Guarantee and those wholly owned subsidiaries party to the Eye Corp Pty Limited Deed are listed in Note 25, reference note (ii).

The controlled entities party to the Deeds of Cross Guarantee have been granted relief from the necessity to prepare a financial report and Directors' report under Class Order 98/1418 (as amended by Class Orders 98/2017, 00/0321, 01/1087, 02/0248 and 02/1017) issued by the Australian Securities and Investments Commission. Under the Deeds of Cross Guarantee each of the companies party to each of the Deeds guarantees the debts of the other named companies.

An abridged consolidated statement of financial performance and consolidated statement of financial position, comprising The Ten Group Pty Limited and controlled entities which are a party to The Ten Group Pty Limited Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 31 August is set out below:

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

	<b>Consolidated</b>	
	<b>2004</b>	<b>2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>37 DEED OF CROSS GUARANTEE (continued)</b>		
<b>Abridged Statement of financial performance</b>		
<i>Profit/(loss) from ordinary activities before income tax</i>	130,800	63,884
Income tax benefit/(expense) relating to ordinary activities	(42,791)	27,894
<i>Profit/(loss) from ordinary activities after income tax</i>	88,009	91,778
Profit/(loss) from extraordinary items after income tax	-	-
<i>Net profit/(loss)</i>	88,009	91,778
Retained profits at the beginning of year	16,021	21,953
Adjustment to retained profits at beginning of year on initial adoption of AASB 1020 <i>Income Taxes</i>	-	(44,108)
	104,030	69,623
Dividends provided or paid	(111,466)	(53,602)
<i>Retained earnings at end of year</i>	(7,436)	16,021
<b>Statement of financial position</b>		
Cash assets	14,520	19,375
Receivables	123,238	116,641
Inventories	130,947	122,411
Current tax receivable	-	-
Other	3,072	1,076
<i>Total current assets</i>	271,777	259,503
Receivables	71,697	74,121
Inventories	1,814	3,005
Investments accounted for using the equity method	6,067	5,843
Other financial assets	27,119	27,119
Property, plant and equipment	64,467	71,806
Intangibles	1,077,823	1,077,823
Other	1,762	1,268
<i>Total non-current assets</i>	1,250,749	1,260,985
<i>Total assets</i>	1,522,526	1,520,488
Payables	211,171	204,494
Current tax liabilities	9,123	15,021
Provisions	14,318	14,612
<i>Total current liabilities</i>	234,612	234,127
Payables	6,591	9,378
Interest-bearing liabilities	430,630	430,630
Deferred tax liabilities	237,351	224,286
Provisions	1,926	1,796
<i>Total non-current liabilities</i>	676,498	666,090
<i>Total liabilities</i>	911,110	900,217
<i>Net assets</i>	611,416	620,271
Contributed equity	74,649	59,934
Reserves	544,203	544,316
Retained earnings	(7,436)	16,021
<i>Total Equity</i>	611,416	620,271

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2004**

**38 DIVIDENDS**

Dividends proposed or paid by the Company are:

	<b>Cents per share</b>	<b>Total amount \$'000</b>	<b>Date of Payment</b>	<b>Tax rate for franking credit</b>	<b>Percentage franked</b>
<b>2004</b>					
December dividend paid					
Normal dividend	9.7	45,282	19 December 2003	30%	100%
Special dividend	5.5	25,676	19 December 2003	30%	100%
June dividend paid	8.627	40,508	30 June 2004	30%	100%
<b>2003</b>					
December dividend paid	6.6	30,032	20 December 2002	30%	100%
June dividend paid	5.1	23,570	30 June 2003	30%	100%

<b>The Company</b>	
<b>2004</b>	<b>2003</b>
<b>\$'000</b>	<b>\$'000</b>

**Dividend franking account**

Franking credits (30%) available for the subsequent financial year	37,080	51,609
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The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of income tax payable as at the reporting date;
- (b) franking debits that will arise from the payment of dividends proposed or provided as at the reporting date;
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at reporting date; and
- (d) franking credits that may be prevented from being distributed in the subsequent year.

**39 SUBSEQUENT EVENTS**

On 23 September 2004 (effective purchase date 1 September 2004), Eye Corp Pty Limited, a controlled entity, acquired the remaining 50% of the Eye Village Joint Venture and plant and equipment previously held by Village Roadshow for cash consideration of \$14.9m. Refer Note 26(b) for details of the Eye Village Joint Venture.

Other than the above, no matters or circumstances have arisen since balance date that have significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2004 of the consolidated entity and the entities it controls from time to time; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2004 of the consolidated entity.

**THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES  
DIRECTORS' DECLARATION**

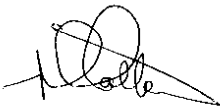
The Directors declare that the financial statements and notes set out on pages 6 to 44:

- (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 31 August 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; and
- (c) at the date of this declaration, there are reasonable grounds to believe that the Company and the subsidiaries identified in Note 25, reference note (i), will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed of cross guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

SIGNED in Sydney on 13 October 2004 in accordance with a resolution of the Directors.



NG Falloon  
Chairman

## Independent audit report to members of The Ten Group Pty Limited

### Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of The Ten Group Pty Limited (“the Company”) for the financial year ended 31 August 2004 included on the Network Ten website. The Company’s directors are responsible for the integrity of The Ten Group Pty Limited web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

### Audit opinion

In our opinion, the financial report of The Ten Group Pty Limited:

- gives a true and fair view, as required by the *Corporations Act 2001*, of the financial position of The Ten Group Pty Limited and The Ten Consolidated Group at 31 August 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This opinion must be read in conjunction with the rest of our audit report.

### 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 The Ten Group Pty Limited (“the Company”) and The Ten Consolidated Group (“the consolidated entity”), for the year ended 31 August 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 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 judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, 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.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

**Independence**

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

PricewaterhouseCoopers

SJ Bosiljevac  
Partner

Sydney  
13 October 2004