



TEN NETWORK HOLDINGS LIMITED  
ABN 14 081 327 068

**FINANCIAL REPORT**  
for the year ended 31 August 2003



## CONTENTS

|                                     |           |
|-------------------------------------|-----------|
| Directors' Report                   | <b>1</b>  |
| Statements of Financial Performance | <b>6</b>  |
| Statements of Financial Position    | <b>7</b>  |
| Statements of Cash Flows            | <b>8</b>  |
| Notes to the Financial Statements   | <b>9</b>  |
| Directors' Declaration              | <b>35</b> |
| Independent Auditors' Report        | <b>36</b> |

The Directors of Ten Network Holdings Limited present their report on the consolidated entity, consisting of Ten Network Holdings Limited ("the Company") and its controlled entities, for the year ended 31 August 2003.

## DIRECTORS

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

Mr NG Falloon, Chairman  
 Mr JJ Cowin (Alternate Mr JB Studdy)  
 Mr LS Freedman (Alternate Mr BG Sechos)  
 Mr PV Gleeson (Alternate Mr NG Falloon<sup>^</sup>)  
 Mr PPA Harris  
 Ms IYL Lee  
 Mr GH Levy  
 Mr R Magid  
 Mr BM Sherman (Alternate Mr BG Sechos)  
 Mr JB Studdy (Alternates Mr JJ Cowin and Mr AJ Peschar)  
 Mr PD Viner (Alternates Mr LJ Asper and Mr TC Strike)

<sup>^</sup> Mr NG Falloon was appointed alternate Director for Mr PV Gleeson on 20 December 2002.

## PRINCIPAL ACTIVITIES

The principal activity of Ten Network Holdings Limited is the investment in The Ten Group Pty Limited and controlled entities, whose principal activities 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.

## RESULT

The consolidated net profit/(loss) after income tax for the year ended 31 August comprises:

|   | 2003<br>\$'000  | 2002<br>\$'000 |
|---|-----------------|----------------|
| Earnings before interest, taxes and non-recurring items     | <b>193,321</b>  | 145,932        |
| Non-recurring items   | <b>(20,000)</b> | (198,436)      |
| Earnings before interest and taxes                          | <b>173,321</b>  | (52,504)       |
| Subordinated debenture interest                             | <b>(87,791)</b> | (6,825)        |
| Net interest expense – other                                | <b>(26,637)</b> | (29,490)       |
| Profit/(Loss) from ordinary activities before income tax    | <b>58,893</b>   | (88,819)       |
| Income tax revenue/(expense)                                |                 |                |
| Normal  | <b>(23,503)</b> | (34,353)       |
| Non-recurring   | <b>68,041</b>   | (36,158)       |
| Net profit/(loss) from ordinary activities after income tax | <b>103,431</b>  | (159,330)      |
| Net (profit)/loss attributable to outside equity interests  | <b>(14,393)</b> | 50,698         |
| Net profit/(loss) attributable to members of the Company    | <b>89,038</b>   | (108,632)      |

## DIVIDENDS

Since the end of the previous financial year a fully franked ordinary dividend of 6.5 cents per share (\$25,103,916) was paid on 28 February 2003 and a fully franked ordinary dividend of 5.0 cents per share (\$19,351,955) was paid on 4 July 2003 in respect of the results for the period to 30 June 2003. Dividends in respect to the six months to 31 December 2003 will be paid during January 2004. No dividend was paid in respect of the year ended 31 August 2002.

## REVIEW OF OPERATIONS

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

### (a) Tax matters

The Company and controlled entities early adopted AASB 1020 Income Taxes on 1 September 2002. This resulted in the recognition of consolidated deferred tax liabilities relating to the difference between accounting and taxation values of television licences and plant and equipment of \$270,192,000 with the offset to opening retained earnings.

On 1 July 2003 The Ten Group Pty Limited and its 100% Australian controlled entities entered the tax consolidations regime. The uplift in the tax value of television licences and plant and equipment resulted in a consolidated \$62,041,000 decrease in deferred tax liabilities, with the offset being a non-recurring tax credit to current year earnings.

### (b) Non-recurring program write down

A controlled entity provided a non-recurring \$20,000,000 and resulting \$6,000,000 tax credit for the write down of features inventory to realisable value.

Except for the matters noted above or otherwise disclosed in the financial report, there were no other significant changes in the state of affairs of the consolidated entity during the year.

## EVENTS SUBSEQUENT TO BALANCE DATE

On 8 October 2003 the Directors declared a special dividend of 5.5 cents per share to be paid on 8 January 2004. The special dividend is a result of the additional distributable earnings from the implementation of the tax consolidations regime on 1 July 2003.

Other than the matters discussed above, no other 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 2003 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 2003 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.

## INFORMATION ON DIRECTORS

| Director                           | Responsibility  | Appointed/Resigned                      | Particulars of Directors' Interests in Shares and Options of The Company |           |
|------------------------------------|---|---|--|-----------|
|                                    |   |   | Ordinary Shares  | Options   |
| NG Falloon BMS                     | Executive Chairman of Board of Directors              | Continuing                              | –  | 7,500,000 |
| JJ Cowin BA                        | Non-Executive Director                                | Continuing                              | 1,000,000  | –         |
| LS Freedman AM, ASA, ASIA, MAusIMM | Non-Executive Director                                | Continuing                              | 39,800,972   | –         |
| PV Gleeson BEcon, ACA              | Non-Executive Director<br>Chairman of Audit Committee | Continuing<br>Continuing                | 15,048,608   | –         |
| PPA Harris MA, ASIA                | Non-Executive Director                                | Continuing                              | 15,428   | –         |
| IYL Lee BA, Barrister at Law       | Non-Executive Director<br>Member of Audit Committee   | Continuing<br>Appointed 3 December 2002 | 10,000   | –         |
| GH Levy BComm, LLB, ASIA           | Non-Executive Director<br>Member of Audit Committee   | Continuing<br>Continuing                | 33,000   | –         |
| R Magid BSc, BA(Maths), MA(Econ)   | Non-Executive Director                                | Continuing                              | 150,000  | –         |
| BM Sherman BComm, CTA, SIA (Aff)   | Non-Executive Director                                | Continuing                              | 39,800,972   | –         |
| JB Studdy AM, BEc, FCA             | Non-Executive Director                                | Continuing                              | 50,000   | –         |
| PD Viner                           | Non-Executive Director                                | Continuing                              | –  | –         |

## DIRECTORS' MEETINGS

| Director's Name<br>Alternate name (if applicable) | Date appointed | Date resigned | No. of meetings of Directors held/attended |   | Number of meetings of Audit committee held/attended |   |
|---|----------------|---------------|--|---|---|---|
|   |                |               |  |   |   |   |
| NG Falloon  | 13/02/02       | Continuing    | 7  | 7 | 1   | 1 |
| JJ Cowin  | 03/04/98       | Continuing    | 7  | 7 | –   | – |
| LS Freedman                                       | 16/02/98       | Continuing    | 7  | 5 | –   | – |
| BG Sechos (Alternate)                             | 16/02/98       | Continuing    |  | 1 |   |   |
| PV Gleeson  | 16/02/98       | Continuing    | 7  | 6 | 4   | 4 |
| NG Falloon (Alternate)                            | 20/12/02       | Continuing    |  | 1 |   |   |
| PPA Harris  | 16/02/98       | Continuing    | 7  | 5 | –   | – |
| IYL Lee   | 13/10/00       | Continuing    | 7  | 6 | 3   | 1 |
| GH Levy   | 03/04/98       | Continuing    | 7  | 5 | 4   | 3 |
| R Magid   | 03/04/98       | Continuing    | 7  | 6 | –   | – |
| BM Sherman  | 16/02/98       | Continuing    | 7  | 5 | –   | – |
| BG Sechos (Alternate)                             | 16/02/98       | Continuing    |  | 1 |   |   |
| JB Studdy   | 04/06/98       | Continuing    | 7  | 6 | –   | – |
| PD Viner  | 03/04/98       | Continuing    | 7  | 2 | –   | – |
| LJ Asper (Alternate)                              | 11/08/00       | Continuing    |  | 1 |   |   |
| TC Strike (Alternate)                             | 11/08/00       | Continuing    |  | 4 |   |   |

The number of meetings held refers to the period whilst a Director.

## DIRECTORS' HOLDINGS OF SHARES

The relevant aggregate interests of Directors of the parent entity and their Director-related entities in shares of the ultimate parent entity within the consolidated entity at the year end are set out below:

The Company  
2003 2002

|                              |                   |            |
|------------------------------|-------------------|------------|
| Ten Network Holdings Limited |                   |            |
| Ordinary shares              | <b>56,115,354</b> | 55,674,550 |

## DIRECTORS' AND OFFICERS' EMOLUMENTS

The Remuneration Committee of The Ten Group Pty Limited, a controlled entity, consisting of four non-executive directors and one executive director, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and non-executive Directors of the consolidated entity.

Remuneration consists of annual fees and superannuation contributions made in accordance with superannuation guarantee legislation for the Directors performing their duties on the Board of the Company and The Ten Group Pty Limited and on various committees.

The non-executive Directors do not participate in any option plans.

Currently the maximum amount that may be paid by the Company to the Directors (in aggregate) by way of remuneration in relation to the performance of their duties as non-executive Directors of the Company is \$600,000.

Additionally, under The Ten Group Pty Limited's Constitution, the maximum amount payable to Directors of that company (which include certain Directors of this Company) is \$400,000. Separate arrangements in relation to the remuneration and retirement benefits of the former Chairman of The Ten Group Pty Limited also applied under the terms of the The Ten Group Pty Limited's Constitution. Directors' fees have been determined on the basis that it will be attractive to proposed board members and so ensure that the Company's board is comprised of skilled and well qualified Directors.

Executive remuneration and other terms of employment are reviewed annually by the Committee having regard to performance against goals set at the start of the year and relative comparative information. Remuneration packages are set at levels that are intended to attract and retain skilled and qualified executives.

Details of the nature and amount of each element of the emoluments of each Director of Ten Network Holdings Limited and each of the 5 officers of the consolidated entity receiving the highest emoluments are set out in the following tables. The only officers of Ten Network Holdings Limited are the Directors.

The table below discloses all amounts paid by all entities within the consolidated entity for services provided to each of those entities. The amounts paid by the Company by way of remuneration totalled \$500,000.

### EXECUTIVE DIRECTOR OF TEN NETWORK HOLDINGS LIMITED

| Name                 | Base Salary<br>\$ | Motor Vehicle<br>\$ | Bonus/Incentive<br>\$ | Superannuation<br>\$ | Consolidated Total<br>\$ |
|----------------------|-------------------|---------------------|-----------------------|----------------------|--------------------------|
| NG Falloon, Chairman | 1,419,333         | 70,067              | 750,000               | 10,600               | 2,250,000                |

### NON-EXECUTIVE DIRECTORS OF TEN NETWORK HOLDINGS LIMITED

| Name                   | Directors' Base<br>Fee/Salary<br>\$ | Committee Fees<br>\$ | Superannuation<br>\$ | Consolidated Total<br>\$ |
|------------------------|-------------------------------------|----------------------|----------------------|--------------------------|
| JJ Cowin               | 57,872                              | 6,281                | 5,653                | 69,806                   |
| LS Freedman            | 57,872                              | 6,500                | 5,793                | 70,165                   |
| PV Gleeson             | 61,365                              | 4,000                | 7,313                | 72,678                   |
| PPA Harris             | 57,872                              | -                    | 5,208                | 63,080                   |
| IYL Lee                | 57,872                              | 4,970                | 5,416                | 68,258                   |
| GH Levy                | 57,872                              | 4,000                | 5,568                | 67,440                   |
| R Magid                | 57,872                              | -                    | 5,208                | 63,080                   |
| BM Sherman             | 57,872                              | -                    | 5,208                | 63,080                   |
| JB Studdy              | 50,000                              | -                    | -                    | 50,000                   |
| PD Viner               | 62,000                              | 4,500                | -                    | 66,500                   |
| LJ Asper (Alternate)   | 12,000                              | -                    | -                    | 12,000                   |
| AJ Peschar (Alternate) | -                                   | -                    | -                    | -                        |
| BG Sechos (Alternate)  | -                                   | 4,000                | 360                  | 4,360                    |
| TC Strike (Alternate)  | 12,000                              | 10,500               | -                    | 22,500                   |

**OTHER EXECUTIVES OF THE CONSOLIDATED ENTITY**

| Name   | Base Salary<br>\$ | Motor Vehicle<br>\$ | Bonus/Incentive (iii)<br>\$ | Superannuation<br>\$ | Termination<br>\$ | Total<br>\$ |
|--|-------------------|---------------------|-----------------------------|----------------------|-------------------|-------------|
| J McAlpine (i)<br>Chief Executive Officer – Television | 989,400           | –                   | 350,000                     | 10,600               | –                 | 1,350,000   |
| P Myers (i)<br>General Manager – Corporate Development | 238,201           | 16,930              | –                           | 6,136                | 767,897           | 1,029,164   |
| G Blackley (i)<br>General Manager – Network Sales      | 472,126           | 13,535              | 260,000                     | 16,600               | –                 | 762,261     |
| G Thorley (ii)<br>Chief Executive Officer – Eye Corp   | 450,854           | 58,747              | 120,000                     | 10,600               | –                 | 640,201     |
| D Mott (i)<br>General Manager – Network Programming    | 417,969           | 44,765              | 133,000                     | 10,600               | –                 | 606,334     |

(i) These executives are all employees of Network Ten Pty Limited, a controlled entity.

(ii) An employee of Eye Corp Pty Limited, a controlled entity.

(iii) The bonus/incentive was paid in December 2002 and relates to performance in the 2002 financial year.

Options have been granted to executives under the Ten Executive Option Plan, details of which are set out in Note 34 to the financial statements.

The amounts disclosed for emoluments relating to options detailed below is the assessed fair value at grant date of options granted to executives, allocated equally over the period from grant date to vesting date. Fair values at grant date have been independently determined by Mercer Financing and Risk Consulting using the Monte-Carlo option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the current price and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The emoluments relating to options of Directors and the 5 officers of the consolidated entity receiving the highest emoluments for the year ended 31 August 2003 are:

- NG Falloon \$1,003,360
- J McAlpine \$47,350
- P Myers \$5,197
- G Thorley \$19,735
- G Blackley \$18,382
- D Mott \$14,427

The Ten Executive Option Plan has been suspended and no further options will be issued.

**SHARE OPTIONS GRANTED TO DIRECTORS AND MOST HIGHLY REMUNERATED OFFICERS**

No options over unissued ordinary shares of Ten Network Holdings Limited were granted during or since the end of the financial year to Directors or any of the 5 most highly remunerated officers of Ten Network Holdings Limited and consolidated entities as part of their remuneration.

**SHARES UNDER OPTION**

Unissued ordinary shares of Ten Network Holdings Limited under option at the date of this report are as follows:

|                               | Number    | Issue Price<br>of Shares | Expiry Date      |
|-------------------------------|-----------|--------------------------|------------------|
| The Ten Executive Option Plan | –         | \$1.92                   | 12 August 2003   |
|                               | 175,000   | \$2.11                   | 24 November 2003 |
|                               | 200,000   | \$2.09                   | 9 February 2005  |
|                               | 1,385,000 | \$2.41                   | 15 March 2005    |
|                               | 750,000   | \$2.25                   | 22 December 2005 |
|                               | 7,500,000 | \$1.90                   | 21 December 2011 |

**SHARES ISSUED ON THE EXERCISE OF OPTIONS**

During the year ended 31 August 2003, the following number of shares were issued on the exercise of options granted under the Ten Executive Option Plan.

|                               | Number    | Issue Price<br>of Shares |
|-------------------------------|-----------|--------------------------|
| The Ten Executive Option Plan | 3,125,000 | \$1.92                   |
|                               | 3,700,000 | \$2.11                   |
|                               | 300,000   | \$2.09                   |

Since year end and up to the date of this report, the following number of shares have been issued on the exercise of options granted under the Ten Executive Option Plan.

|                               | Number  | Issue Price<br>of Shares |
|-------------------------------|---------|--------------------------|
| The Ten Executive Option Plan | 500,000 | \$2.11                   |

### 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.

Also during the financial year, Investec Wentworth Pty Limited provided the consolidated entity with corporate consultancy services on normal commercial terms and conditions. Mr GH Levy, a Director of the Company, is a director of Investec Wentworth Pty Limited.

### 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 Company has entered into deeds to indemnify each Director of the Company in accordance with the approval given at the Annual General Meeting of the Company held on 7 December 1999.

In broad terms, the deeds of indemnity entrench a Director's rights to:

- access the books and records of the Company which relate to the period the Director acted as a Director of the Company;
- be indemnified by the Company to the maximum extent permitted by law; and
- require the Company to take out an appropriate directors' and officers' insurance policy to protect the Director from liability (to the maximum extent permitted by law).

Separately, a deed of indemnity has been provided by The Ten Group Pty Limited to Directors and officers of that 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 98/0100 and accordingly the financial report has been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in Sydney on 8 October 2003 in accordance with a resolution of the Directors.



**NG Falloon**  
Chairman

|   | Note | Consolidated          |                | The Company    |                |
|---|------|-----------------------|----------------|----------------|----------------|
|   |      | 2003<br>\$'000        | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Revenue from ordinary activities  | 2    | <b>733,070</b>        | 667,129        | <b>45,302</b>  | 118            |
| Television costs  |      | <b>(483,376)</b>      | (446,110)      | -              | -              |
| Out-of-home costs   |      | <b>(75,107)</b>       | (272,214)      | -              | -              |
| Corporate costs   |      | <b>(1,082)</b>        | (1,185)        | <b>(1,082)</b> | (1,185)        |
| Borrowing costs   | 3(b) | <b>(117,042)</b>      | (37,355)       | -              | -              |
| Share of net profit of associates and joint ventures accounted for using the equity method                    | 26   | <b>2,430</b>          | 916            | -              | -              |
| Profit/(Loss) from ordinary activities before income tax  |      | <b>58,893</b>         | (88,819)       | <b>44,220</b>  | (1,067)        |
| Income tax revenue/(expense)  | 4(a) | <b>44,538</b>         | (70,511)       | -              | 18             |
| Net profit/(loss) from ordinary activities after income tax   |      | <b>103,431</b>        | (159,330)      | <b>44,220</b>  | (1,049)        |
| Net (profit)/loss attributable to outside equity interests  |      | <b>(14,393)</b>       | 50,698         | -              | -              |
| <b>Net profit/(loss) attributable to members of the Company</b>   | 24   | <b>89,038</b>         | (108,632)      | <b>44,220</b>  | (1,049)        |
| Net exchange difference on translation of financial report of foreign controlled entities                     | 23   | <b>353</b>            | 78             | -              | -              |
| <b>Total changes in equity from non-owner related transactions attributable to the members of the Company</b> |      | <b>89,391</b>         | (108,554)      | <b>44,220</b>  | (1,049)        |
| <b>EARNINGS PER SHARE</b>   |      |                       |                |                |                |
|   |      | <b>2003<br/>Cents</b> | 2002<br>Cents  |                |                |
| Shareholding earnings per share   | 27   | <b>23.16</b>          | (28.53)        |                |                |
| Economic earnings per share   | 27   | <b>20.30</b>          | (13.41)        |                |                |
| Fully diluted earnings per share  | 27   | <b>17.49</b>          | (13.63)        |                |                |

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

|   | Note | Consolidated     |                  | The Company    |                |
|---|------|------------------|------------------|----------------|----------------|
|   |      | 2003<br>\$'000   | 2002<br>\$'000   | 2003<br>\$'000 | 2002<br>\$'000 |
| <b>CURRENT ASSETS</b>                             |      |                  |                  |                |                |
| Cash  | 5    | 21,948           | 12,885           | 967            | 1,086          |
| Receivables                                       | 6    | 127,808          | 116,123          | -              | -              |
| Inventories                                       | 7    | 123,417          | 127,638          | -              | -              |
| Current tax receivables                           | 4(d) | -                | 63,716           | -              | -              |
| Other   | 8    | 4,060            | 12,063           | 37             | 34             |
| <b>Total Current Assets</b>                       |      | <b>277,233</b>   | <b>332,425</b>   | <b>1,004</b>   | <b>1,120</b>   |
| <b>NON-CURRENT ASSETS</b>                         |      |                  |                  |                |                |
| Receivables                                       | 9    | 2,682            | 2,116            | 150            | -              |
| Inventories                                       | 12   | 3,005            | 1,565            | -              | -              |
| Investments accounted for using the equity method | 10   | 10,162           | 2,888            | -              | -              |
| Other financial assets                            | 11   | 2,553            | 2,553            | 839,763        | 824,576        |
| Property, plant and equipment                     | 13   | 88,688           | 84,264           | -              | -              |
| Intangibles                                       | 14   | 1,156,190        | 1,159,707        | -              | -              |
| Deferred tax assets                               | 4(e) | 162              | 8,325            | 55             | 55             |
| Other   | 15   | 1,397            | 626              | -              | -              |
| <b>Total Non-Current Assets</b>                   |      | <b>1,264,839</b> | <b>1,262,044</b> | <b>839,968</b> | <b>824,631</b> |
| <b>Total Assets</b>                               |      | <b>1,542,072</b> | <b>1,594,469</b> | <b>840,972</b> | <b>825,751</b> |
| <b>CURRENT LIABILITIES</b>                        |      |                  |                  |                |                |
| Payables  | 16   | 216,050          | 160,142          | 175            | 185            |
| Interest-bearing liabilities                      | 17   | 945              | 29,247           | -              | -              |
| Current tax liabilities                           | 4(d) | 16,110           | -                | -              | -              |
| Provisions  | 18   | 23,789           | 40,737           | -              | -              |
| <b>Total Current Liabilities</b>                  |      | <b>256,894</b>   | <b>230,126</b>   | <b>175</b>     | <b>185</b>     |
| <b>NON-CURRENT LIABILITIES</b>                    |      |                  |                  |                |                |
| Payables  | 19   | 38,577           | 28,442           | 18,518         | 18,238         |
| Interest-bearing liabilities                      | 20   | 434,457          | 510,111          | -              | -              |
| Deferred tax liabilities                          | 4(f) | 224,286          | 32,042           | -              | -              |
| Provisions  | 21   | 1,796            | 1,971            | -              | -              |
| <b>Total Non-Current Liabilities</b>              |      | <b>699,116</b>   | <b>572,566</b>   | <b>18,518</b>  | <b>18,238</b>  |
| <b>Total Liabilities</b>                          |      | <b>956,010</b>   | <b>802,692</b>   | <b>18,693</b>  | <b>18,423</b>  |
| <b>Net Assets</b>                                 |      | <b>586,062</b>   | <b>791,777</b>   | <b>822,279</b> | <b>807,328</b> |
| <b>EQUITY</b>                                     |      |                  |                  |                |                |
| Contributed equity                                | 22   | 823,563          | 808,376          | 823,563        | 808,376        |
| Reserves  | 23   | (416)            | (63)             | -              | -              |
| Retained earnings                                 | 24   | (330,736)        | (145,461)        | (1,284)        | (1,048)        |
| Total parent entity interest                      |      | 492,411          | 662,852          | 822,279        | 807,328        |
| Outside equity interests in controlled entities   | 32   | 93,651           | 128,925          | -              | -              |
| <b>Total Equity</b>                               |      | <b>586,062</b>   | <b>791,777</b>   | <b>822,279</b> | <b>807,328</b> |

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

|   | Note  | Consolidated   |                | The Company    |                |
|---|-------|----------------|----------------|----------------|----------------|
|   |       | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| <b>CASH AND ITS EQUIVALENTS</b>                           |       |                |                |                |                |
| Cash on hand  | 5     | 80             | 65             | -              | -              |
| Cash at bank  | 5     | 21,868         | 12,820         | 967            | 1,086          |
| Bank overdraft  | 17    | -              | (1,791)        | -              | -              |
| At end of year  |       | 21,948         | 11,094         | 967            | 1,086          |
| At beginning of year                                      |       | 11,094         | 20,868         | 1,086          | 184            |
| <b>Net cash inflow/(outflow) for the year</b>             |       | <b>10,854</b>  | <b>(9,774)</b> | <b>(119)</b>   | <b>902</b>     |
| Represented by:   |       |                |                |                |                |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |       |                |                |                |                |
| Receipts from customers                                   |       | 786,458        | 745,199        | -              | -              |
| Payments to suppliers and employees                       |       | (604,800)      | (610,997)      | (1,095)        | (1,131)        |
| Dividends received  |       | 1,915          | 346            | 44,936         | 55,424         |
| Interest received   |       | 2,491          | 1,050          | 366            | 118            |
| Bank interest paid  |       | (26,210)       | (25,503)       | -              | -              |
| Income tax received/(paid)                                |       |                |                |                |                |
| Prior year refunds received                               |       | 71,188         | 4,447          | -              | -              |
| Current year payments                                     |       | (33,706)       | (56,305)       | -              | -              |
| Tax settlement  |       | -              | (36,158)       | -              | -              |
| Net cash flow from operating activities                   | 38    | 197,336        | 22,079         | 44,207         | 54,411         |
| <b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>              |       |                |                |                |                |
| Acquisition of property, plant and equipment              |       | (23,909)       | (25,490)       | -              | -              |
| Proceeds on disposal of property, plant and equipment     |       | 591            | 326            | -              | -              |
| Sale of equity investments                                |       | -              | 142            | -              | -              |
| Payment for investments                                   |       | (5,567)        | -              | (14,434)       | -              |
| Purchases of controlled entities (net of cash acquired)   | 25(b) | -              | (10,000)       | -              | -              |
| Payment for Out-of-home investments and site acquisitions |       | -              | (6,361)        | -              | -              |
| Advances/(repayments) from/(to):                          |       |                |                |                |                |
| Controlled entities                                       |       | -              | -              | 130            | 1,138          |
| Associated companies and joint ventures                   |       | 122            | 11             | -              | -              |
| Directors of controlled entities                          |       | 350            | (1,017)        | -              | -              |
| Other   |       | (169)          | 153            | -              | -              |
| Net cash flow from investment activities                  |       | (28,582)       | (42,236)       | (14,304)       | 1,138          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>               |       |                |                |                |                |
| Dividends paid  |       | (53,123)       | (65,443)       | (44,456)       | (54,647)       |
| Debenture interest paid                                   |       | (30,018)       | (66,221)       | -              | -              |
| Debenture interest – withholding tax                      |       | (3,002)        | (6,622)        | -              | -              |
| Amounts received/(paid) re: Tax Dispute                   |       | 16,972         | (16,972)       | -              | -              |
| Financing establishment costs paid                        |       | (1,467)        | -              | -              | -              |
| Proceeds from exercise of options                         |       | 14,434         | -              | 14,434         | -              |
| Proceeds from borrowings                                  |       | 380,084        | 538,000        | -              | -              |
| Repayment of borrowings                                   |       | (481,780)      | (372,359)      | -              | -              |
| Net cash flow financing activities                        |       | (157,900)      | 10,383         | (30,022)       | (54,647)       |
| <b>Net cash inflow/(outflow) for the year</b>             |       | <b>10,854</b>  | <b>(9,774)</b> | <b>(119)</b>   | <b>902</b>     |

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

## 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. The accounting policies adopted are consistent with those of the previous year, except for the change in Income Taxes as detailed at point (b) below. 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 Ten Network Holdings Limited ("the Company") as detailed in Note 25 to the financial statements. Ten Network Holdings 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.

#### Change in Accounting Policy for Income Tax

The above policy was adopted with effect from 1 September 2002 to comply with AASB 1020 Income Taxes released in December 1999 and applied to the year ended 31 August 2003 in accordance with a written election by the directors under subsection 334(5) of the Corporations Act 2001. In previous years, income tax expense in the statement of financial performance was calculated by reference to the accounting profit after allowing for permanent differences and deferred tax was not recognised in relation to amounts recognised directly in equity.

The change in accounting policy has resulted in the recognition of deferred tax liabilities on the difference between accounting and taxation values of television licences and capitalised licences at 31 August 2002. The adjustments were as follows:

- Increase in consolidated deferred tax liabilities of \$270,192,000
- A reduction in consolidated retained earnings of \$270,192,000.

These adjustments resulted in a net reduction in consolidated net assets and consolidated total equity of \$270,192,000 as at 31 August 2002. It is not practical to restate the prior financial year results as if the new accounting policy had always applied.

#### Tax Consolidation Legislation

A controlled entity, 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 consolidation. The resetting of tax values of the assets on entering the tax consolidation regime on 1 July 2003 has resulted in the following adjustments:

- Decrease in consolidated deferred tax liabilities of \$62,041,000
- A decrease in current year income tax expense of \$62,041,000.

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).

### (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 gross proceeds of non-current asset sales are included in 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. Furthermore, the carrying values of television program rights are reviewed on a periodic basis and, where required, written down to their recoverable amount.

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Inventories (continued)

#### Television Program Rights (continued)

Television programs at balance date for which the telecast licence period has commenced or will commence in the succeeding year has 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:

|                     | 2003                 | 2002          |
|---------------------|----------------------|---------------|
| Buildings           | <b>40 years</b>      | 40 years      |
| Plant and Equipment | <b>3 to 10 years</b> | 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 stated at cost and are supported by an independent valuation received from Grant Samuel & Associates Pty Limited in October 2002. 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.

The Directors regularly assess the carrying value of licences so as to ensure that they are not carried at a value greater than their recoverable amount. No amortisation is provided against these assets as the Directors believe that the television licences do not have a limited useful life.

#### 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.

In the prior year, joint ventures were accounted for using the proportional consolidation method, rather than the equity method, the effects of which are not material.

### (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.

### (i) Recoverable Amount of Non-Current Assets Valued on 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% (2002: 12%-14%) depending on the nature of the assets.

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (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

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.

### (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 Statement 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 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) 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.

### (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.

### (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 statement of financial performance.

#### Translation of controlled foreign entities

The assets and liabilities of foreign operations, including associates and joint venturers, 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) Earnings Per Share

#### (i) Shareholding Earnings per Share

Shareholding earnings per share is determined by dividing the operating profit after income tax attributable to members of Ten Network Holdings Limited by the weighted average number of ordinary shares outstanding during the financial year.

#### (ii) Economic Earnings per Share

Economic earnings per share adjusts the shareholding earnings per share to reflect the economic interest in The Ten Group Pty Limited and the potential exercise of options issued during the financial year. The difference between the voting and economic interests in The Ten Group Pty Limited arises due to subordinated debentures in The Ten Group Pty Limited held by CanWest Global Communications Corp ("CanWest").

#### (iii) Fully Diluted Earnings per Share

Fully diluted earnings per share has been calculated on the basis that the convertible debentures in The Ten Group Pty Limited had been converted and the subordinated debentures had been redeemed. This method also reflects the potential conversion of options over ordinary shares in Ten Network Holdings Limited during the year.

It should be noted, however, that under current Australian law CanWest is unable to convert its convertible debentures in The Ten Group Pty Limited. Although a qualified Australian purchaser would be entitled to convert these securities into ordinary shares in The Ten Group Pty Limited, the likelihood of conversion in the current circumstances is considered remote.

|  | Note | Consolidated    |                | The Company    |                |
|--|------|-----------------|----------------|----------------|----------------|
|  |      | 2003<br>\$'000  | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| <b>2 REVENUE FROM ORDINARY ACTIVITIES</b>  |      |                 |                |                |                |
| <b>Revenue from Operating Activities</b>   |      |                 |                |                |                |
| Sales revenue  |      | <b>729,865</b>  | 665,555        | -              | -              |
| <b>Revenue from Outside the Operating Activities</b>   |      |                 |                |                |                |
| Dividends  |      |                 |                |                |                |
| Controlled entity  | 35   | -               | -              | <b>44,936</b>  | -              |
| Other  |      | -               | 66             | -              | -              |
| Interest   |      |                 |                |                |                |
| Controlled entity  | 35   | -               | -              | <b>291</b>     | -              |
| Other  |      | <b>2,614</b>    | 1,040          | <b>75</b>      | 118            |
| Gross proceeds on sale of listed investments   |      | -               | 142            | -              | -              |
| Gross proceeds on sale of property, plant and equipment  |      | <b>591</b>      | 326            | -              | -              |
| <b>Total Revenue from Ordinary Activities</b>  |      | <b>733,070</b>  | 667,129        | <b>45,302</b>  | 118            |
| <b>3 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX</b>  |      |                 |                |                |                |
| <b>(a) Non-recurring items included in profit/(loss) from ordinary activities before income tax</b>                                      |      |                 |                |                |                |
| Write down of program rights – Columbia features   |      | <b>(20,000)</b> | -              | -              | -              |
| Write down of goodwill and other charges   |      | -               | (178,421)      | -              | -              |
| Write off of capitalised digital costs   |      | -               | (3,493)        | -              | -              |
| Write down of listed investments   |      | -               | (16,522)       | -              | -              |
|  |      | <b>(20,000)</b> | (198,436)      | -              | -              |
| <b>(b) Profit/(Loss) from ordinary activities before income tax has been arrived at after charging/ (crediting) the following items:</b> |      |                 |                |                |                |
| Loss/(Profit) on sale of property, plant and equipment   |      | <b>73</b>       | (317)          | -              | -              |
| Profit on sale of investments  |      | -               | (142)          | -              | -              |
| Net foreign currency losses – realised   |      | <b>53</b>       | 27             | -              | -              |
| Net bad and doubtful debts, including movements in provision for doubtful debts  |      | <b>441</b>      | 794            | -              | -              |
| Operating lease rentals  |      |                 |                |                |                |
| Minimum lease payments   |      | <b>42,348</b>   | 49,134         | -              | -              |
| Contingent rental expense  |      | <b>9,589</b>    | 6,112          | -              | -              |
| Borrowing costs  |      |                 |                |                |                |
| Subordinated debentures  | 35   | <b>87,791</b>   | 6,825          | -              | -              |
| Other  |      | <b>29,251</b>   | 30,530         | -              | -              |
|  |      | <b>117,042</b>  | 37,355         | -              | -              |
| Depreciation and amortisation of property, plant and equipment   |      |                 |                |                |                |
| Plant and equipment  |      | <b>16,204</b>   | 15,722         | -              | -              |
| Leasehold improvements   |      | <b>212</b>      | 161            | -              | -              |
| Buildings  |      | <b>253</b>      | 253            | -              | -              |
| Leased plant and equipment   |      | <b>957</b>      | 117            | -              | -              |
| Amortisation   |      |                 |                |                |                |
| Goodwill   |      | <b>2,805</b>    | 10,043         | -              | -              |
| Other intangibles  |      | <b>712</b>      | 711            | -              | -              |
| Capitalised digital costs  |      | -               | 1,543          | -              | -              |

|   | Consolidated    |                | The Company    |                |
|---|-----------------|----------------|----------------|----------------|
|   | 2003<br>\$'000  | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| <b>4 INCOME TAX</b>   |                 |                |                |                |
| <b>(a) Income tax (revenue)/expense</b>   |                 |                |                |                |
| Current income tax expense  | 24,248          | 52,507         | –              | 2              |
| Deferred income tax (revenue)/expense (2003 consolidated includes \$62,041,000 deferred tax revenue arising as a result of the tax consolidation legislation – see note (b))  | (68,786)        | 18,004         | –              | (20)           |
|   | <b>(44,538)</b> | 70,511         | –              | (18)           |
| Attributable to:  |                 |                |                |                |
| Profit from ordinary activities   | <b>(44,538)</b> | 70,511         | –              | (18)           |
| Deferred income tax (revenue)/expense included in income tax expense comprises:   |                 |                |                |                |
| Decrease/(increase) in deferred tax asset   | 8,163           | (5,617)        | –              | (20)           |
| (Decrease)/increase in deferred tax liabilities   | (76,949)        | 23,621         | –              | –              |
|   | <b>(68,786)</b> | 18,004         | –              | (20)           |
| <b>(b) Numerical reconciliation of income tax (revenue)/expense to prima facie tax payable</b>  |                 |                |                |                |
| Pre-tax profit/(loss)   | 58,893          | (88,819)       | 44,220         | (1,067)        |
| Tax at the Australian tax rate 30%  | 17,668          | (26,646)       | 13,266         | (320)          |
| Increase in income tax expense is due to:   |                 |                |                |                |
| Non-recurring tax settlement expenses   | –               | 36,158         | –              | –              |
| Non deductible expenditure  |                 |                |                |                |
| Amortisation  | 1,055           | 3,226          | –              | –              |
| Writedown of goodwill   | –               | 51,735         | –              | –              |
| Writedown of listed investments   | –               | 4,957          | –              | –              |
| Other   | 2,202           | 1,658          | 9              | 302            |
| Decrease in income tax expense is due to:   |                 |                |                |                |
| Prior year adjustments  | (51)            | (557)          | –              | –              |
| Dividend rebate   | –               | (20)           | (13,275)       | –              |
| Tax settlement  | (3,196)         | –              | –              | –              |
| Other   | (175)           | –              | –              | –              |
|   | <b>17,503</b>   | 70,511         | –              | (18)           |
| Deferred 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                     | (62,041)        | –              | –              | –              |
| Income tax (revenue)/expense  | <b>(44,538)</b> | 70,511         | –              | (18)           |
| <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         | –              | –              | –              |
|   | <b>270,192</b>  | –              | –              | –              |
| <b>(d) Current tax liabilities/(receivables)</b>  |                 |                |                |                |
| Provision for income tax  | 16,110          | (63,716)       | –              | –              |
| <b>(e) Deferred tax assets</b>  |                 |                |                |                |
| Future income tax benefit   | 162             | 8,325          | 55             | 55             |
| <b>(f) Deferred tax liabilities</b>   |                 |                |                |                |
| Provision for deferred income tax   | 224,286         | 32,042         | –              | –              |
| Deferred tax balances include \$5.2m attributable to tax losses.  |                 |                |                |                |
| The potential future income tax benefit relating to tax losses not brought to account is:   |                 |                |                |                |
|   | 521             | 1,071          | –              | –              |
| 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.                                     |                 |                |                |                |

## 4 INCOME TAX (CONTINUED)

### Tax consolidation legislation

A controlled entity, 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
- A decrease in current income tax expense of \$62,041,000

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).

|   | Note     | Consolidated<br>2003<br>\$'000 | 2002<br>\$'000 | The Company<br>2003<br>\$'000 | 2002<br>\$'000 |
|---|----------|--------------------------------|----------------|-------------------------------|----------------|
| <b>5 CASH</b>   |          |                                |                |                               |                |
| Cash on hand  |          | 80                             | 65             | -                             | -              |
| Cash at bank  |          | 21,868                         | 12,820         | 967                           | 1,086          |
|   | 33       | 21,948                         | 12,885         | 967                           | 1,086          |
| <b>6 RECEIVABLES (CURRENT)</b>                              |          |                                |                |                               |                |
| Trade debtors   |          | 136,476                        | 127,425        | -                             | -              |
| Provisions for doubtful debts and advertising credits       |          | (8,827)                        | (11,677)       | -                             | -              |
|   |          | 127,649                        | 115,748        | -                             | -              |
| Loans and advances  |          |                                |                |                               |                |
| Associated companies  | 35       | 2                              | 2              | -                             | -              |
| Other   |          | 157                            | 373            | -                             | -              |
|   |          | 159                            | 375            | -                             | -              |
|   | 33       | 127,808                        | 116,123        | -                             | -              |
| <b>7 INVENTORIES (CURRENT)</b>                              |          |                                |                |                               |                |
| Program rights  |          | 122,411                        | 126,503        | -                             | -              |
| Other inventories   |          | 1,006                          | 1,135          | -                             | -              |
|   |          | 123,417                        | 127,638        | -                             | -              |
| <b>8 OTHER ASSETS (CURRENT)</b>                             |          |                                |                |                               |                |
| Prepayments and sundry debtors                              |          | 3,911                          | 12,063         | 37                            | 34             |
| Capitalised borrowing costs                                 |          | 149                            | -              | -                             | -              |
|   |          | 4,060                          | 12,063         | 37                            | 34             |
| <b>9 RECEIVABLES (NON-CURRENT)</b>                          |          |                                |                |                               |                |
| Other receivables   |          | 150                            | -              | 150                           | -              |
| Loans and advances  |          |                                |                |                               |                |
| Associated companies  | 35       | 686                            | 791            | -                             | -              |
| Directors of controlled entities                            | 35       | -                              | 350            | -                             | -              |
| Other   |          | 1,846                          | 975            | -                             | -              |
|   | 33       | 2,682                          | 2,116          | 150                           | -              |
| <b>10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD</b> |          |                                |                |                               |                |
| Associates  | 26(a),35 | 8,635                          | 2,888          | -                             | -              |
| Joint ventures  | 26(b),35 | 1,527                          | -              | -                             | -              |
|   |          | 10,162                         | 2,888          | -                             | -              |

|   | Note | Consolidated    |                | The Company    |                |
|---|------|-----------------|----------------|----------------|----------------|
|   |      | 2003<br>\$'000  | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| <b>11 OTHER FINANCIAL ASSETS</b>        |      |                 |                |                |                |
| Investments in listed securities        |      |                 |                |                |                |
| Cost                                    |      | -               | 27,711         | -              | -              |
| Provision for diminution                |      | -               | (27,711)       | -              | -              |
| Investments in unlisted securities      |      |                 |                |                |                |
| Controlled entities                     | 35   | -               | -              | <b>839,763</b> | 824,576        |
| Associated companies                    | 35   | <b>2,119</b>    | 2,119          | -              | -              |
| Other                                   | 33   | <b>434</b>      | 434            | -              | -              |
|   |      | <b>2,553</b>    | 2,553          | <b>839,763</b> | 824,576        |
| <b>12 INVENTORIES (NON-CURRENT)</b>     |      |                 |                |                |                |
| Program rights                          |      | <b>3,005</b>    | 1,565          | -              | -              |
| <b>13 PROPERTY, PLANT AND EQUIPMENT</b> |      |                 |                |                |                |
| Freehold land                           |      |                 |                |                |                |
| At cost                                 |      | <b>5,188</b>    | 5,188          | -              | -              |
| Freehold buildings                      |      |                 |                |                |                |
| At cost                                 |      | <b>8,548</b>    | 8,285          | -              | -              |
| Accumulated depreciation                |      | <b>(1,339)</b>  | (1,086)        | -              | -              |
|   |      | <b>7,209</b>    | 7,199          | -              | -              |
| Leasehold improvements                  |      |                 |                |                |                |
| At cost                                 |      | <b>4,273</b>    | 3,199          | -              | -              |
| Accumulated depreciation                |      | <b>(546)</b>    | (334)          | -              | -              |
|   |      | <b>3,727</b>    | 2,865          | -              | -              |
| Plant and equipment                     |      |                 |                |                |                |
| At cost                                 |      | <b>117,520</b>  | 98,575         | -              | -              |
| Accumulated depreciation                |      | <b>(47,543)</b> | (33,111)       | -              | -              |
|   |      | <b>69,977</b>   | 65,464         | -              | -              |
| Leased Plant and Equipment              |      |                 |                |                |                |
| At cost                                 |      | <b>6,799</b>    | 6,835          | -              | -              |
| Accumulated depreciation                |      | <b>(4,212)</b>  | (3,287)        | -              | -              |
|   |      | <b>2,587</b>    | 3,548          | -              | -              |
| Total property, plant and equipment     |      |                 |                |                |                |
| Net book value                          |      | <b>88,688</b>   | 84,264         | -              | -              |

|  | Consolidated<br>2003<br>\$'000 | The Company<br>2003<br>\$'000  |                |                               |                |
|--|--------------------------------|--------------------------------|----------------|-------------------------------|----------------|
| <b>13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)</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   | 7,199                          | -                              |                |                               |                |
| Additions  | 263                            | -                              |                |                               |                |
| Depreciation   | (253)                          | -                              |                |                               |                |
| Balance at end of year   | 7,209                          | -                              |                |                               |                |
| Leasehold improvements   |                                |                                |                |                               |                |
| Balance at beginning of year   | 2,865                          | -                              |                |                               |                |
| Additions  | 1,077                          | -                              |                |                               |                |
| Disposals  | (2)                            | -                              |                |                               |                |
| Foreign currency exchange differences  | (1)                            | -                              |                |                               |                |
| Depreciation   | (212)                          | -                              |                |                               |                |
| Balance at end of year   | 3,727                          | -                              |                |                               |                |
| Plant and equipment  |                                |                                |                |                               |                |
| Balance at beginning of year   | 65,464                         | -                              |                |                               |                |
| Additions  | 22,553                         | -                              |                |                               |                |
| Disposals  | (1,646)                        | -                              |                |                               |                |
| Foreign currency exchange differences  | (279)                          | -                              |                |                               |                |
| Depreciation   | (16,115)                       | -                              |                |                               |                |
| Balance at end of year   | 69,977                         | -                              |                |                               |                |
| Leased plant and equipment   |                                |                                |                |                               |                |
| Balance at beginning of year   | 3,548                          | -                              |                |                               |                |
| Additions  | 14                             | -                              |                |                               |                |
| Disposals  | (8)                            | -                              |                |                               |                |
| Foreign currency exchange differences  | (10)                           | -                              |                |                               |                |
| Depreciation   | (957)                          | -                              |                |                               |                |
| Balance at end of year   | 2,587                          | -                              |                |                               |                |
|  | Note                           | Consolidated<br>2003<br>\$'000 | 2002<br>\$'000 | The Company<br>2003<br>\$'000 | 2002<br>\$'000 |
| <b>14 INTANGIBLES</b>  |                                |                                |                |                               |                |
| Television licences – cost   |                                | 1,077,822                      | 1,077,822      | -                             | -              |
| Other licences – cost  |                                | 29,500                         | 29,500         | -                             | -              |
| Accumulated amortisation   |                                | (1,912)                        | (1,200)        | -                             | -              |
|  |                                | 27,588                         | 28,300         | -                             | -              |
| Goodwill – cost  |                                | 245,421                        | 245,421        | -                             | -              |
| Writedown of goodwill  |                                | (172,451)                      | (172,451)      | -                             | -              |
| Accumulated amortisation   |                                | (22,190)                       | (19,385)       | -                             | -              |
|  |                                | 50,780                         | 53,585         | -                             | -              |
|  |                                | 1,156,190                      | 1,159,707      | -                             | -              |
| <b>15 OTHER ASSETS (NON-CURRENT)</b>   |                                |                                |                |                               |                |
| Capitalised borrowing costs  |                                | 1,268                          | -              | -                             | -              |
| Other  |                                | 129                            | 626            | -                             | -              |
|  |                                | 1,397                          | 626            | -                             | -              |
| <b>16 PAYABLES (CURRENT)</b>   |                                |                                |                |                               |                |
| Trade creditors  |                                | 147,720                        | 145,614        | 175                           | 185            |
| Unearned income  |                                | 2,568                          | 4,135          | -                             | -              |
| Accrued interest   |                                |                                |                |                               |                |
| Related entity   | 35                             | 61,803                         | 6,825          | -                             | -              |
| Other  |                                | 3,959                          | 3,568          | -                             | -              |
|  | 33                             | 216,050                        | 160,142        | 175                           | 185            |

|   | Note  | Consolidated                     |                                  | The Company                   |                 |
|---|-------|----------------------------------|----------------------------------|-------------------------------|-----------------|
|   |       | 2003<br>\$'000                   | 2002<br>\$'000                   | 2003<br>\$'000                | 2002<br>\$'000  |
| <b>17 INTEREST-BEARING LIABILITIES (CURRENT)</b>  |       |                                  |                                  |                               |                 |
| Bank loan   | 33    | –                                | 23,000                           | –                             | –               |
| Bank overdraft  | 33    | –                                | 1,791                            | –                             | –               |
| Commercial bills  | 33    | –                                | 3,000                            | –                             | –               |
| Lease liabilities   | 31,33 | <b>945</b>                       | 987                              | –                             | –               |
| Other loans   | 33    | –                                | 469                              | –                             | –               |
|   |       | <b>945</b>                       | 29,247                           | –                             | –               |
| <b>18 PROVISIONS (CURRENT)</b>  |       |                                  |                                  |                               |                 |
| Employee entitlements   |       | <b>12,940</b>                    | 13,234                           | –                             | –               |
| Surplus lease space   |       | <b>345</b>                       | 441                              | –                             | –               |
| Deferred settlement   |       | <b>3,000</b>                     | 3,000                            | –                             | –               |
| Other   |       | <b>7,504</b>                     | 24,062                           | –                             | –               |
|   |       | <b>23,789</b>                    | 40,737                           | –                             | –               |
| <b>Movements in provisions</b>  |       |                                  |                                  |                               |                 |
| Movements in each class of provision during the financial year, other than employee entitlements are set out below: |       |                                  |                                  |                               |                 |
|   |       | Surplus<br>lease space<br>\$'000 | Deferred<br>settlement<br>\$'000 | Other<br>\$'000               | Total<br>\$'000 |
| <b>Consolidated – 2003</b>  |       |                                  |                                  |                               |                 |
| <b>Current</b>  |       |                                  |                                  |                               |                 |
| Carrying amount at beginning of year  |       | 441                              | 3,000                            | 24,062                        | 27,503          |
| Additional provisions recognised  |       | –                                | –                                | 518                           | 518             |
| Payments  |       | –                                | –                                | (5,652)                       | (5,652)         |
| Reductions from remeasurement   |       | (96)                             | –                                | (11,424)                      | (11,520)        |
| Carrying amount at end of year  |       | 345                              | 3,000                            | 7,504                         | 10,849          |
|   |       |                                  |                                  |                               |                 |
|   | Note  | Consolidated<br>2003<br>\$'000   | 2002<br>\$'000                   | The Company<br>2003<br>\$'000 | 2002<br>\$'000  |
| <b>19 PAYABLES (NON-CURRENT)</b>  |       |                                  |                                  |                               |                 |
| Trade creditors   |       | <b>38,012</b>                    | 28,061                           | –                             | –               |
| Loans   |       |                                  |                                  |                               |                 |
| Related entities  | 35    | <b>565</b>                       | 381                              | –                             | –               |
| Other creditors and accruals  |       |                                  |                                  |                               |                 |
| Controlled entity   | 35    | –                                | –                                | <b>18,518</b>                 | 18,238          |
|   | 33    | <b>38,577</b>                    | 28,442                           | <b>18,518</b>                 | 18,238          |
| <b>20 INTEREST-BEARING LIABILITIES (NON-CURRENT)</b>  |       |                                  |                                  |                               |                 |
| Bank loan   | 33    | <b>175,000</b>                   | 460,000                          | –                             | –               |
| USD senior unsecured notes  | 33    | <b>210,084</b>                   | –                                | –                             | –               |
| Debentures  |       |                                  |                                  |                               |                 |
| Subordinated  | 33,35 | <b>45,500</b>                    | 45,500                           | –                             | –               |
| Convertible   | 33,35 | <b>45</b>                        | 45                               | –                             | –               |
| Lease liabilities   | 31,33 | <b>3,828</b>                     | 4,566                            | –                             | –               |
|   |       | <b>434,457</b>                   | 510,111                          | –                             | –               |
| <b>21 PROVISIONS (NON-CURRENT)</b>  |       |                                  |                                  |                               |                 |
| Employee entitlements   |       | <b>1,796</b>                     | 1,971                            | –                             | –               |

|   |                        | Consolidated   |                  | The Company    |                |
|---|------------------------|----------------|------------------|----------------|----------------|
|   |                        | 2003<br>\$'000 | 2002<br>\$'000   | 2003<br>\$'000 | 2002<br>\$'000 |
| <b>22 CONTRIBUTED EQUITY</b>  |                        |                |                  |                |                |
| (a) Paid up capital   |                        |                |                  |                |                |
| 388,439,092 ordinary shares fully paid (2002: 380,964,092)  |                        | <b>823,563</b> | 808,376          | <b>823,563</b> | 808,376        |
| (b) Movements in issued and paid up ordinary share capital during the past year were as follows:  |                        |                |                  |                |                |
| Date  | Details                | Notes          | Number of Shares | Issue Price    | \$'000         |
| 31.08.02  | Balance 31 August 2002 |                | 380,964,092      |                | 808,376        |
| 30.06.03  | Copplemere Exchange    | (c)            | 350,000          | 2.15           | 753            |
| Various   | Exercise of Options    | (e)            | 3,125,000        | 1.92           | 6,000          |
| Various   | Exercise of Options    | (e)            | 3,700,000        | 2.11           | 7,807          |
| Various   | Exercise of Options    | (e)            | 300,000          | 2.09           | 627            |
| 31.08.03  | Balance 31 August 2003 |                | 388,439,092      |                | 823,563        |
| (c) Copplemere Pty Limited exchanged shares it held in The Ten Group Pty Limited for an equivalent number of shares in Ten Network Holdings Limited pursuant to the exchange deeds put in place at the time of the restructure and public listing of Ten Network Holdings Limited in April 1998. These exchange deeds provide a mechanism to allow Copplemere Pty Limited and other shareholders who retained direct shareholdings in The Ten Group Pty Limited at the time of the float to later convert their holding of shares in The Ten Group Pty Limited for shares in Ten Network Holdings Limited. Given that a share in Ten Network Holdings Limited is a proxy for a share in The Ten Group Pty Limited, the deed provides for the exchange on a one-for-one basis.   |                        |                |                  |                |                |
| (d) The CanWest Group has rights under the exchange deeds entered into with the Company in April 1998 to have 523,249,990 ordinary shares allotted to it, and other remaining shareholders in The Ten Group Pty Limited have similar rights to have allotted to them 5,435,916 ordinary shares.<br>The shares issued to the CanWest Group under the exchange deeds would represent 57.1% of the issued capital of the Company on a fully diluted basis, excluding any shares issued pursuant to employee options.<br>The Australian Securities & Investments Commission has, by an instrument dated 16 June 2000, exempted the CanWest Group from compliance with section 606 of the Corporations Act 2001 in relation to an acquisition of shares in the Company by virtue of an allotment pursuant to the CanWest exchange deeds.<br>Accordingly, if the Broadcasting Services Act and foreign investment law or policy in relation to media were to change such that CanWest could exchange part or all of its securities in The Ten Group Pty Limited for new shares, CanWest would be entitled to acquire new shares beyond an entitlement of 14.99% of shares in the Company without the need to seek shareholder approval or to make a takeover bid for shares in the Company. |                        |                |                  |                |                |
| (e) A total of 10,510,000 options to take up ordinary shares in the capital of Ten Network Holdings Limited have been granted under the Ten Executive Option Plan ("the Plan") to senior management of a controlled entity, Network Ten Pty Limited. A total of 675,000 of these options are exercisable subject to performance hurdles at a price of \$2.11 over the next year. A total of 200,000 of these options are exercisable subject to performance hurdles at a price of \$2.09 over the next two years. A total of 1,385,000 of these options are exercisable subject to performance hurdles at a price of \$2.41 over the next two years. A total of 750,000 of these options are exercisable subject to performance hurdles at a price of \$2.25 per share over the next three years. A total of 7,500,000 of these options are exercisable on certain nominated dates at a price of \$1.90 per share over the next nine years. All issued options are also subject to various vesting date arrangements. As of balance date, 5,183,500 options may be exercised, due to hurdle and vesting date preconditions having been met. During the year ended 31 August 2003, options were exercised as set out in Note 22 (b).   |                        |                |                  |                |                |
| 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.   |                        |                |                  |                |                |

|  | Consolidated     |                | The Company     |                |
|--|------------------|----------------|-----------------|----------------|
|  | 2003<br>\$'000   | 2002<br>\$'000 | 2003<br>\$'000  | 2002<br>\$'000 |
| <b>23 RESERVES</b>   |                  |                |                 |                |
| Foreign currency translation   | <b>(416)</b>     | (63)           | –               | –              |
| <b>Movements during the year</b>   |                  |                |                 |                |
| Foreign currency translation   |                  |                |                 |                |
| Balance at beginning of year   | <b>(63)</b>      | 15             | –               | –              |
| Net translation adjustment   | <b>(353)</b>     | (78)           | –               | –              |
| Balance at end of year   | <b>(416)</b>     | (63)           | –               | –              |
| <b>Nature and purpose of reserves</b>  |                  |                |                 |                |
| <b>Foreign currency translation</b>  |                  |                |                 |                |
| 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). |                  |                |                 |                |
|  |                  |                |                 |                |
|  | Consolidated     | 2002           | The Company     | 2002           |
|  | 2003             | \$'000         | 2003            | \$'000         |
| <b>24 RETAINED EARNINGS</b>  |                  |                |                 |                |
| Retained earnings at beginning of year   | <b>(145,461)</b> | (36,829)       | <b>(1,048)</b>  | 1              |
| Adjustments to opening retained earnings   |                  |                |                 |                |
| Adoption of AASB 1020  | <b>(270,192)</b> | –              | –               | –              |
| Related outside equity interest  | <b>40,335</b>    | –              | –               | –              |
| Adjusted retained earnings at the beginning of the financial year  | <b>(375,318)</b> | (36,829)       | <b>(1,048)</b>  | 1              |
| Net profit/(loss) attributable to members of the Company   | <b>89,038</b>    | (108,632)      | <b>44,220</b>   | (1,049)        |
| Dividends paid   | <b>(44,456)</b>  | –              | <b>(44,456)</b> | –              |
| Retained earnings at end of year   | <b>(330,736)</b> | (145,461)      | <b>(1,284)</b>  | (1,048)        |

## 25 CONTROLLED ENTITIES

Ordinary Share  
 Consolidated Entity Interest  
**2003**                      2002  
 %                              %

### (a) Particulars in relation to controlled entities

#### Parent entity

Ten Network Holdings Limited

#### Controlled entities

|   |              |       |
|---|--------------|-------|
| Telecasters North Queensland Pty Limited*             | <b>100.0</b> | 100.0 |
| Selli Pty Limited                                     | <b>100.0</b> | 100.0 |
| The Ten Group Pty Limited                             | <b>84.1</b>  | 83.7  |
| Ten Pay TV Pty Limited (i)                            | <b>84.1</b>  | 83.7  |
| Network Ten Pty Limited (i)                           | <b>84.1</b>  | 83.7  |
| Network Ten (Sydney) Pty Limited (i)                  | <b>84.1</b>  | 83.7  |
| Network Ten (Melbourne) Pty Limited (i)               | <b>84.1</b>  | 83.7  |
| Network Ten (Brisbane) Pty Limited (i)                | <b>84.1</b>  | 83.7  |
| Television & Telecasters (Properties) Pty Limited (i) | <b>84.1</b>  | 83.7  |
| Network Ten Nominees Pty Limited                      | <b>84.1</b>  | 83.7  |
| Caprice Pty Limited (i)                               | <b>84.1</b>  | 83.7  |
| Network Ten (Adelaide) Pty Limited (i)                | <b>84.1</b>  | 83.7  |
| Chartreuse Pty Limited (i)                            | <b>84.1</b>  | 83.7  |
| Network Ten (Perth) Pty Limited (i)                   | <b>84.1</b>  | 83.7  |
| Ten Ventures Pty Limited                              | <b>84.1</b>  | 83.7  |
| Ten Online Pty Limited                                | <b>84.1</b>  | 83.7  |
| Eye Corp Pty Limited                                  | <b>84.1</b>  | 83.7  |
| Eye Corp Australia Pty Limited (ii)                   | <b>84.1</b>  | 83.7  |
| Eye Fly (Sydney) Pty Limited (ii)                     | <b>84.1</b>  | 83.7  |
| Eye Drive Sydney No. 2 Pty Limited (ii)*              | <b>84.1</b>  | 83.7  |
| Pimington Pty Limited (ii)*                           | <b>84.1</b>  | 83.7  |
| Olympic Murals 2000 Pty Limited (ii)*                 | <b>84.1</b>  | 83.7  |
| Boyd Outdoor Advertising Pty Limited (ii)*            | <b>84.1</b>  | 83.7  |
| Eye Digital Pty Limited (ii)                          | <b>84.1</b>  | 83.7  |
| NLD Pty Limited (ii)                                  | <b>84.1</b>  | 83.7  |
| Australian Airport Advertising Pty Limited (ii)       | <b>84.1</b>  | 83.7  |
| Eye Corp Airport Advertising Pty Limited (ii)         | <b>84.1</b>  | 83.7  |
| Eye Drive Sydney Pty Limited (ii)                     | <b>84.1</b>  | 83.7  |
| Eye Mall Media Pty Limited (ii)                       | <b>84.1</b>  | 83.7  |
| Eye Corp Asia Limited                                 | <b>84.1</b>  | 83.7  |
| Eyecorp Limited                                       | <b>84.1</b>  | 83.7  |
| PT Netra Estha Muda                                   | <b>79.9</b>  | 79.5  |
| PT Agung Bali   | <b>53.5</b>  | 53.3  |
| PT Eye Corp (iii)                                     | -            | -     |
| Eye Corp Media Pty Limited                            | <b>84.1</b>  | 83.7  |
| Adval Holdings Pty Limited                            | <b>84.1</b>  | 83.7  |
| Adval Australia Pty Limited                           | <b>84.1</b>  | 83.7  |

(i) Refer to Note 39 for details of The Ten Group Pty Limited Deed of Cross Guarantee.

(ii) Refer to Note 39 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.

\* In liquidation

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); and
- PT Netra Estha Muda, PT Agung Bali and PT Eye Corp (incorporated in Indonesia).

## 25 CONTROLLED ENTITIES (CONTINUED)

### (b) Acquisition of controlled entities

During the previous financial year The Ten Group Pty Limited, a controlled entity, acquired the remaining 40% of the voting shares of Eye Corp Pty Limited and its controlled entities. Details of the acquisition are as follows:

|  | Consolidated<br>2003<br>\$'000 | 2002<br>\$'000 |
|--|--------------------------------|----------------|
| Fair value of net assets of entity acquired: |                                |                |
| Property, plant and equipment                | –                              | 8,990          |
| Future income tax benefit                    | –                              | 2,752          |
| Cash assets                                  | –                              | –              |
| Inventories                                  | –                              | 480            |
| Trade debtors                                | –                              | 5,622          |
| Investments                                  | –                              | 1,167          |
| Intangibles                                  | –                              | 29,874         |
| Other assets                                 | –                              | 3,677          |
| Bank overdraft                               | –                              | (215)          |
| Bank loans – secured                         | –                              | (9,200)        |
| Trade creditors                              | –                              | (7,955)        |
| Net loans payable                            | –                              | (20,194)       |
| Other provisions                             | –                              | (4,998)        |
|  | –                              | 10,000         |
| Outside equity interests at acquisition      | –                              | –              |
|  | –                              | 10,000         |
| Goodwill on acquisition                      | –                              | –              |
| Consideration (cash)                         | –                              | 10,000         |

|                 | Note | Consolidated<br>2003<br>\$'000 | 2002<br>\$'000 | The Company<br>2003<br>\$'000 | 2002<br>\$'000 |
|-----------------|------|--------------------------------|----------------|-------------------------------|----------------|
| Consideration   |      | –                              | 10,000         | –                             | –              |
| Cash acquired   |      | –                              | –              | –                             | –              |
| Outflow of cash |      | –                              | 10,000         | –                             | –              |

## 26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Share of net profits accounted for using the equity method included in the statement of financial performance

|                |       |              |     |   |   |
|----------------|-------|--------------|-----|---|---|
| Associates     | 26(a) | 1,038        | 916 | – | – |
| Joint ventures | 26(b) | 1,392        | –   | – | – |
|                |       | <b>2,430</b> | 916 | – | – |

### (a) Investments in equity accounted associates

| Name                              | Principal<br>Activity/Note | Balance Date | 2003<br>% | Ownership<br>interest<br>2002<br>% | Consolidated<br>Amount of investment |                | The Company<br>Amount of investment |                |
|-----------------------------------|----------------------------|--------------|-----------|------------------------------------|--------------------------------------|----------------|-------------------------------------|----------------|
|                                   |                            |              |           |                                    | 2003<br>\$'000                       | 2002<br>\$'000 | 2003<br>\$'000                      | 2002<br>\$'000 |
| Held by Eye Corp Pty Limited      |                            |              |           |                                    |                                      |                |                                     |                |
| Big Tree Sdn Bhd                  | (i)                        | 31 Dec       | 30.0      | 30.0                               | 2,792                                | 2,888          | –                                   | –              |
| Held by The Ten Group Pty Limited |                            |              |           |                                    |                                      |                |                                     |                |
| Television & Media Services Ltd   | (ii)                       | 30 Jun       | 24.3      | 9.8                                | 5,843                                | –              | –                                   | –              |
|                                   |                            |              |           |                                    | <b>8,635</b>                         | 2,888          | –                                   | –              |

The principal activities of the associated companies are:

- (i) Outdoor advertising
- (ii) Television and studio production services, field production services, and cinema screen advertising to December 2002.

|  | Consolidated            |                | The Company                     |                                 |  |                |   |                |
|--|-------------------------|----------------|---------------------------------|---------------------------------|--|----------------|---|----------------|
|  | 2003<br>\$'000          | 2002<br>\$'000 | 2003<br>\$'000                  | 2002<br>\$'000                  |  |                |   |                |
| <b>26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)</b>                          |                         |                |                                 |                                 |  |                |   |                |
| <b>(a) Investments in equity accounted associates (continued)</b>                                |                         |                |                                 |                                 |  |                |   |                |
| <b>Results attributable to associates</b>  |                         |                |                                 |                                 |  |                |   |                |
| Profits from ordinary activities before income tax   | 1,480                   | 1,390          | -                               | -                               |  |                |   |                |
| Income tax expense   | (387)                   | (474)          | -                               | -                               |  |                |   |                |
| Profits from ordinary activities after income tax  | 1,093                   | 916            | -                               | -                               |  |                |   |                |
| Goodwill amortisation  | (55)                    | -              | -                               | -                               |  |                |   |                |
|  | 1,038                   | 916            |                                 |                                 |  |                |   |                |
| Retained profits attributable to associates at the beginning of the financial year               | 1,504                   | 588            | -                               | -                               |  |                |   |                |
| Retained profits attributable to associates at the end of the financial year                     | 2,542                   | 1,504          | -                               | -                               |  |                |   |                |
| <b>Reserves attributable to associates</b>   |                         |                |                                 |                                 |  |                |   |                |
| <i>Foreign Currency Translation Reserve</i>  |                         |                |                                 |                                 |  |                |   |                |
| Share of associates' reserve at beginning of year  | (107)                   | 21             | -                               | -                               |  |                |   |                |
| Share of decrement in associates' reserve  | (449)                   | (128)          | -                               | -                               |  |                |   |                |
| Share of associates' reserve at end of year  | (556)                   | (107)          | -                               | -                               |  |                |   |                |
| <b>Movements in carrying amount of investments</b>   |                         |                |                                 |                                 |  |                |   |                |
| Carrying amount at the beginning of the financial year   | 2,888                   | 2,384          | -                               | -                               |  |                |   |                |
| Investments in associates acquired during the year   | 5,567                   | -              | -                               | -                               |  |                |   |                |
| Share of profits from ordinary activities after income tax                                       | 1,093                   | 916            | -                               | -                               |  |                |   |                |
| Goodwill amortisation  | (55)                    | -              | -                               | -                               |  |                |   |                |
| Dividends received/receivable  | (409)                   | (284)          | -                               | -                               |  |                |   |                |
| Share of decrement in associates' reserve  | (449)                   | (128)          | -                               | -                               |  |                |   |                |
| Carrying amount at the end of the financial year   | 8,635                   | 2,888          | -                               | -                               |  |                |   |                |
| <b>Financial position of associates</b>  |                         |                |                                 |                                 |  |                |   |                |
| The consolidated entity's share of aggregate assets and liabilities of associates is as follows: |                         |                |                                 |                                 |  |                |   |                |
| Current assets   | 3,903                   | 1,459          | -                               | -                               |  |                |   |                |
| Non-current assets   | 14,898                  | 3,645          | -                               | -                               |  |                |   |                |
| Total assets   | 18,801                  | 5,104          | -                               | -                               |  |                |   |                |
| Current liabilities  | (3,456)                 | (2,216)        | -                               | -                               |  |                |   |                |
| Non-current liabilities  | (9,857)                 | -              | -                               | -                               |  |                |   |                |
| Total liabilities  | (13,313)                | (2,216)        | -                               | -                               |  |                |   |                |
| Net assets   | 5,488                   | 2,888          | -                               | -                               |  |                |   |                |
| <b>Share of associates' expenditure commitments as at 30 June</b>                                |                         |                |                                 |                                 |  |                |   |                |
| Capital commitments  | 1                       | -              | -                               | -                               |  |                |   |                |
| Lease commitments  | 8,674                   | -              | -                               | -                               |  |                |   |                |
|  | 8,675                   | -              | -                               | -                               |  |                |   |                |
| There were no contingencies in respect of associates at the end of the financial year.           |                         |                |                                 |                                 |  |                |   |                |
| <b>(b) Investments in joint venture companies</b>  |                         |                |                                 |                                 |  |                |   |                |
| Name   | Principal Activity/Note | Balance Date   | 2003<br>%<br>Ownership interest | 2002<br>%<br>Ownership interest | Consolidated<br>Amount of investment<br>2003<br>\$'000 | 2002<br>\$'000 | The Company<br>Amount of investment<br>2003<br>\$'000 | 2002<br>\$'000 |
| Held by Eye Corp Pty Limited   |                         |                |                                 |                                 |  |                |   |                |
| Eye Village Pty Limited  | (i)                     | 30 Jun         | 50.0                            | 50.0                            | 1,527  | -              | -   | -              |
| The principal activities of the joint venture companies are:                                     |                         |                |                                 |                                 |  |                |   |                |
| (i) Internal advertising in shopping centres.  |                         |                |                                 |                                 |  |                |   |                |

|  | Consolidated   |                | The Company    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| <b>26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)</b>                              |                |                |                |                |
| <b>(b) Investments in joint venture companies (continued)</b>  |                |                |                |                |
| <b>Results attributable to joint ventures</b>  |                |                |                |                |
| Profits from ordinary activities before income tax   | 1,392          | -              | -              | -              |
| Income tax expense   | -              | -              | -              | -              |
| Profits from ordinary activities after income tax  | 1,392          | -              | -              | -              |
| Retained profits attributable to joint ventures equity accounted for the first time                  | (1,124)        | -              | -              | -              |
| Retained profits attributable to joint ventures at the end of the financial year                     | 268            | -              | -              | -              |
| <b>Reserves attributable to joint ventures</b>   |                |                |                |                |
| <b>Foreign Currency Translation Reserve</b>  |                |                |                |                |
| Share of joint ventures' reserve at beginning of year  | -              | -              | -              | -              |
| Share of increment in joint ventures' reserve  | 14             | -              | -              | -              |
| Share of joint ventures' reserve at end of year  | 14             | -              | -              | -              |
| <b>Movements in carrying amount of investments</b>   |                |                |                |                |
| Carrying amount at the beginning of the financial year   | -              | -              | -              | -              |
| 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   | 1,392          | -              | -              | -              |
| Dividends received/receivable  | (1,500)        | -              | -              | -              |
| Share of increment in joint ventures' reserve  | 14             | -              | -              | -              |
| Carrying amount at the end of the financial year   | 1,527          | -              | -              | -              |
| <b>Financial position of joint ventures</b>  |                |                |                |                |
| The consolidated entity's share of aggregate assets and liabilities of joint ventures is as follows: |                |                |                |                |
| Current assets   | 1,593          | -              | -              | -              |
| Non-current assets   | 383            | -              | -              | -              |
| Total assets   | 1,976          | -              | -              | -              |
| Current liabilities  | (449)          | -              | -              | -              |
| Non-current liabilities  | -              | -              | -              | -              |
| Total liabilities  | (449)          | -              | -              | -              |
| Net assets   | 1,527          | -              | -              | -              |

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

## 27 EARNINGS PER SHARE

|   | 2003<br>Cents      | Consolidated<br>2002<br>Cents |
|---|--------------------|-------------------------------|
| Shareholding earnings per share   | 23.16              | (28.53)                       |
| Economic earnings per share   | 20.30              | (13.41)                       |
| Fully diluted earnings per share  | 17.49              | (13.63)                       |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of shareholding earnings per share | <b>384,518,293</b> | 380,826,221                   |

### Information Concerning the Classification of Securities

#### (a) Options

Options granted to executives under the Ten Executive Option Plan are considered to be potential ordinary shares and have been included in the determination of economic and fully diluted earnings per share. The options have not been included in the determination of shareholding earnings per share. Details of the options are set out in Note 34.

#### (b) Convertible Debentures

Convertible debentures on issue in a controlled entity are considered to be potential ordinary shares of the controlled entity and accordingly would impact the earnings after tax included in the consolidated result of the consolidated entity and therefore in the determination of economic and fully diluted earnings per share. The notes have not been included in the determination of shareholding earnings per share. Details relating to the notes are set out in Note 33.

|  | Consolidated   |                | The Company    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |

## 28 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.

|              |       |              |       |
|--------------|-------|--------------|-------|
| <b>3,515</b> | 4,215 | <b>2,943</b> | 2,711 |
|--------------|-------|--------------|-------|

The remuneration above excludes any value of options.

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

| \$'000        | 2003 | 2002 |
|---------------|------|------|
| 0 – 10        | 2    | 1    |
| 10 – 20       | 1    | –    |
| 20 – 30       | 1    | 1    |
| 30 – 40       | –    | 1    |
| 50 – 60       | 1    | 1    |
| 60 – 70       | 7    | 7    |
| 70 – 80       | 2    | 1    |
| 100 – 110     | –    | 1    |
| 630 – 640     | –    | 1    |
| 1,320 – 1,330 | –    | 1    |
| 2,250 – 2,260 | 1    | –    |

## 29 REMUNERATION OF EXECUTIVES

|  | Executive Officers<br>of the Consolidated Entity |                | Executive Officers<br>of The Company |                |
|--|--|----------------|--------------------------------------|----------------|
|  | 2003<br>\$'000                                   | 2002<br>\$'000 | 2003<br>\$'000                       | 2002<br>\$'000 |
| Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by executive officers (excluding Directors of the Company) whose remuneration was at least \$100,000: |  |                |                                      |                |
| Executive officers of the Company  | -  | -              | -                                    | -              |
| Executive officers of other entities in the consolidated entity*   | <b>10,782</b>                                    | 8,798          | -                                    | -              |
|  | <b>10,782</b>                                    | 8,798          | -                                    | -              |

\* 2003 includes termination payments of \$1.145m (2002: \$nil).

The above remuneration excludes any value of options. No options were granted to executive officers during the period ended 31 August 2003. The terms and conditions relating to options are set out in Note 22.

The number of executive officers (excluding Directors of the Company) whose remuneration from entities in the consolidated entity and related parties was within the specified bands are as follows:

| \$'000        | Executive Officers of<br>the Consolidated Entity |      | Executive Officers<br>of The Company |      |
|---------------|--|------|--------------------------------------|------|
|               | 2003   | 2002 | 2003                                 | 2002 |
| 100 – 110     | 1  | 1    | -                                    | -    |
| 110 – 120     | -  | 1    | -                                    | -    |
| 120 – 130     | 1  | 1    | -                                    | -    |
| 130 – 140     | 1  | 3    | -                                    | -    |
| 140 – 150     | 1  | -    | -                                    | -    |
| 150 – 160     | 2  | 2    | -                                    | -    |
| 160 – 170     | -  | 2    | -                                    | -    |
| 170 – 180     | -  | 2    | -                                    | -    |
| 180 – 190     | 2  | -    | -                                    | -    |
| 190 – 200     | 1  | 1    | -                                    | -    |
| 200 – 210     | 1  | 1    | -                                    | -    |
| 210 – 220     | 1  | -    | -                                    | -    |
| 220 – 230     | 1  | 2    | -                                    | -    |
| 230 – 240     | 1  | -    | -                                    | -    |
| 240 – 250     | 1  | -    | -                                    | -    |
| 260 – 270     | -  | 1    | -                                    | -    |
| 270 – 280     | 1  | -    | -                                    | -    |
| 280 – 290     | -  | 1    | -                                    | -    |
| 290 – 300     | 1  | 2    | -                                    | -    |
| 300 – 310     | -  | 2    | -                                    | -    |
| 320 – 330     | 2  | 1    | -                                    | -    |
| 330 – 340     | 2  | -    | -                                    | -    |
| 340 – 350     | -  | 1    | -                                    | -    |
| 360 – 370     | 1  | -    | -                                    | -    |
| 370 – 380     | 1  | -    | -                                    | -    |
| 380 – 390     | 1  | -    | -                                    | -    |
| 400 – 410     | -  | 1    | -                                    | -    |
| 440 – 450     | 2  | -    | -                                    | -    |
| 490 – 500     | -  | 1    | -                                    | -    |
| 530 – 540     | -  | 1    | -                                    | -    |
| 550 – 560     | -  | 1    | -                                    | -    |
| 600 – 610     | 1  | -    | -                                    | -    |
| 610 – 620     | -  | 1    | -                                    | -    |
| 640 – 650     | 1  | -    | -                                    | -    |
| 760 – 770     | 1  | -    | -                                    | -    |
| 1,020 – 1,030 | 1  | -    | -                                    | -    |
| 1,180 – 1,190 | -  | 1    | -                                    | -    |
| 1,340 – 1,350 | 1  | -    | -                                    | -    |

### 30 AUDITORS' REMUNERATION

|                                      | Note | Consolidated   |                | The Company    |                |
|--------------------------------------|------|----------------|----------------|----------------|----------------|
|                                      |      | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Audit and other assurance services:  |      |                |                |                |                |
| Auditors of the Company – PwC        |      |                |                |                |                |
| Audit or review of financial reports |      | 504            | 478            | 46             | 44             |
| Other audit related work             |      | 10             | 98             | –              | –              |
| Other assurance services             |      | 267            | 292            | –              | –              |
|                                      |      | <b>781</b>     | 868            | <b>46</b>      | 44             |
| Other services:                      |      |                |                |                |                |
| Auditors of the Company – PwC        |      |                |                |                |                |
| Advisory services                    |      | 50             | 23             | –              | –              |
| Taxation                             |      | 625            | 745            | –              | –              |
|                                      |      | <b>675</b>     | 768            | –              | –              |
|                                      |      | <b>1,456</b>   | 1,636          | <b>46</b>      | 44             |

The auditors' remuneration for other services attributable to the Company is borne by a controlled entity.

### 31 COMMITMENTS

#### (a) Capital expenditure commitments

Amounts contracted but not provided for:

|   |  |              |       |   |   |
|---|--|--------------|-------|---|---|
| No later than one year                            |  | 3,535        | 4,166 | – | – |
| Later than one year and not later than five years |  | 636          | –     | – | – |
|   |  | <b>4,171</b> | 4,166 | – | – |

#### (b) Program expenditure commitments

Amounts contracted but not provided for:

|   |  |                |        |   |   |
|---|--|----------------|--------|---|---|
| No later than one year                            |  | 44,732         | 77,767 | – | – |
| Later than one year and not later than five years |  | 70,110         | 13,721 | – | – |
|   |  | <b>114,842</b> | 91,488 | – | – |

#### (c) Non-cancellable operating lease commitments

Minimum lease payments contracted but not provided for:

|  |  |                |         |   |   |
|--|--|----------------|---------|---|---|
| No later than one year                                   |  | 38,074         | 39,643  | – | – |
| Later than one year and not later than five years        |  | 89,814         | 91,274  | – | – |
| Later than five years                                    |  | 29,259         | 34,246  | – | – |
|  |  | <b>157,147</b> | 165,163 | – | – |
| Less: Total future minimum sub lease payments receivable |  | 7              | –       | – | – |
|  |  | <b>157,140</b> | 165,163 | – | – |

#### (d) Finance lease commitments

Finance lease commitments are payable:

|   |  |              |       |   |   |
|---|--|--------------|-------|---|---|
| No later than one year                            |  | 1,677        | 1,370 | – | – |
| Later than one year and not later than five years |  | 3,446        | 4,579 | – | – |
|   |  | <b>5,123</b> | 5,949 | – | – |
| Less: Total future finance charges                |  | 350          | 396   | – | – |
|   |  | <b>4,773</b> | 5,553 | – | – |

Represented by:

|             |    |              |       |   |   |
|-------------|----|--------------|-------|---|---|
| Current     | 17 | 945          | 987   | – | – |
| Non-current | 20 | 3,828        | 4,566 | – | – |
|             |    | <b>4,773</b> | 5,553 | – | – |

#### (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.

### 32 OUTSIDE EQUITY INTERESTS

|  | 2003<br>\$'000 | Consolidated<br>2002<br>\$'000 |
|--|----------------|--------------------------------|
| <b>Outside equity interests in controlled entities comprise:</b> |                |                                |
| Interest in share capital  | 9,556          | 7,508                          |
| Interest in reserves   | 86,660         | 122,333                        |
| Interest in retained earnings at the end of the financial year   | (2,565)        | (916)                          |
| <b>Total outside equity interests</b>                            | <b>93,651</b>  | <b>128,925</b>                 |

### 33 FINANCIAL INSTRUMENTS

|                                    | Note  | Floating<br>interest rate<br>\$'000 | 1 year or less<br>\$'000 | Fixed interest maturing in: |                             | Non-interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|------------------------------------|-------|-------------------------------------|--------------------------|-----------------------------|-----------------------------|-----------------------------------|-----------------|
|                                    |       |                                     |                          | 1 to 5 years<br>\$'000      | More than 5 years<br>\$'000 |                                   |                 |
| <b>2003 – Consolidated</b>         |       |                                     |                          |                             |                             |                                   |                 |
| <b>Financial assets</b>            |       |                                     |                          |                             |                             |                                   |                 |
| Cash                               | 5     | 21,868                              | –                        | –                           | –                           | 80                                | 21,948          |
| Receivables                        | 6,9   | –                                   | –                        | –                           | –                           | 130,490                           | 130,490         |
| Investments                        | 11    | –                                   | –                        | –                           | –                           | 434                               | 434             |
|                                    |       | 21,868                              | –                        | –                           | –                           | 131,004                           | 152,872         |
| <b>Financial liabilities</b>       |       |                                     |                          |                             |                             |                                   |                 |
| Payables                           | 16,19 | –                                   | –                        | –                           | –                           | 254,627                           | 254,627         |
| Bank overdrafts and loans          | 17,20 | 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 | –                                   | 945                      | 3,828                       | –                           | –                                 | 4,773           |
|                                    |       | 430,629                             | 945                      | 3,828                       | –                           | 254,627                           | 690,029         |
| Net financial assets (liabilities) |       | (408,761)                           | (945)                    | (3,828)                     | –                           | (123,623)                         | (537,157)       |
| Interest rate swaps *              |       | –                                   | 50,000                   | 135,000                     | 50,000                      | –                                 | 235,000         |
| Weighted average interest rate     |       |                                     |                          |                             |                             |                                   | 5.95%           |
|                                    | Note  | Floating<br>interest rate<br>\$'000 | 1 year or less<br>\$'000 | Fixed interest maturing in: |                             | Non-interest<br>bearing<br>\$'000 | Total<br>\$'000 |
|                                    |       |                                     |                          | 1 to 5 years<br>\$'000      | More than 5 years<br>\$'000 |                                   |                 |
| <b>2002 – Consolidated</b>         |       |                                     |                          |                             |                             |                                   |                 |
| <b>Financial assets</b>            |       |                                     |                          |                             |                             |                                   |                 |
| Cash                               | 5     | 12,820                              | –                        | –                           | –                           | 65                                | 12,885          |
| Receivables                        | 6,9   | –                                   | –                        | –                           | –                           | 118,239                           | 118,239         |
| Investments                        | 11    | –                                   | –                        | –                           | –                           | 434                               | 434             |
|                                    |       | 12,820                              | –                        | –                           | –                           | 118,738                           | 131,558         |
| <b>Financial liabilities</b>       |       |                                     |                          |                             |                             |                                   |                 |
| Payables                           | 16,19 | –                                   | –                        | –                           | –                           | 188,584                           | 188,584         |
| Bank overdrafts and loans          | 17,20 | 484,791                             | –                        | –                           | –                           | –                                 | 484,791         |
| Commercial bills                   | 17    | 3,000                               | –                        | –                           | –                           | –                                 | 3,000           |
| Subordinated debentures            | 20    | 45,500                              | –                        | –                           | –                           | –                                 | 45,500          |
| Convertible debentures             | 20    | 45                                  | –                        | –                           | –                           | –                                 | 45              |
| Lease liabilities                  | 17,20 | –                                   | 987                      | 4,566                       | –                           | –                                 | 5,553           |
| Other loans                        | 17    | 469                                 | –                        | –                           | –                           | –                                 | 469             |
|                                    |       | 533,805                             | 987                      | 4,566                       | –                           | 188,584                           | 727,942         |
| Net financial assets (liabilities) |       | (520,985)                           | (987)                    | (4,566)                     | –                           | (69,846)                          | (596,384)       |
| Interest rate swaps *              |       | –                                   | 50,000                   | 165,000                     | 50,000                      | –                                 | 265,000         |
| Weighted average interest rate     |       |                                     |                          |                             |                             |                                   | 5.8%            |

\* Notional principal amounts

### 33 FINANCIAL INSTRUMENTS (CONTINUED)

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

| Security                   | Facility  | \$'000  | Period to Maturity    |
|----------------------------|-----------|---------|-----------------------|
| Bank loan                  | Unsecured | 700,000 | 2 years               |
| USD senior unsecured notes | Unsecured | 210,084 | 10 years (i)          |
| Bank overdraft             | Secured   | 3,000   | On demand – Note (iv) |
| Subordinated debentures    | Unsecured | 45,500  | 40 years – Note (ii)  |
| Convertible debentures     | Unsecured | 45      | 35 years – Note (iii) |
| Interest swap contracts    | Unsecured | 235,000 | Up to 8 years         |

Notes:

- (i) During the year, The Ten Group Pty Limited, a controlled entity, 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.
- (ii) 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, a controlled entity, 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 will receive 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) The Eye Corp Pty Limited consolidated entity has granted a fixed and floating charge over all assets as security for the bank overdraft.

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

Except for the interest rate swap contracts and the foreign currency swap contract in note (i) 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.

|  | Consolidated   |                | The Company    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |

### 34 EMPLOYEE ENTITLEMENTS

#### Number of employees

|                                 |       |       |   |   |
|---------------------------------|-------|-------|---|---|
| Number of employees at year end | 1,282 | 1,289 | - | - |
|---------------------------------|-------|-------|---|---|

#### 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 issued amounted to 10,510,000. A total of 675,000 of these options are exercisable subject to performance hurdles at a price of \$2.11 per share over the next year. A total of 200,000 of these options are exercisable subject to performance hurdles at a price of \$2.09 per share over the next two years. A total of 1,385,000 of these options are exercisable subject to performance hurdles at a price of \$2.41 per share over the next two years. A total of 750,000 of these options are exercisable subject to performance hurdles at a price of \$2.25 per share over the next three years. A total of 7,500,000 of these options are exercisable on certain nominated dates at a price of \$1.90 per share over the next nine years. All issued options are also subject to various vesting date arrangements. As of the date of this report, 5,183,500 options may be exercised, due to hurdle and vesting date preconditions having been met.

During the year ended 31 August 2003, 3,125,000 options were exercised at a price of \$1.92 per share, 3,700,000 options were exercised at a price of \$2.11 per share and 300,000 options were exercised at a price of \$2.09 per share.

Directors have had regard to the particular capital structure of The Ten Group Pty Limited 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 Ten Group 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.

|  | Note | Consolidated   |                | The Company    |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |

### 35 RELATED PARTY INFORMATION

#### Ownership interest in related entities

|                         |          |               |       |                |         |
|-------------------------|----------|---------------|-------|----------------|---------|
| Controlled entities     | 11       | -             | -     | 839,763        | 824,576 |
| Associated companies    |          |               |       |                |         |
| – equity accounted      | 10,26(a) | 8,635         | 2,888 | -              | -       |
| – other                 | 11       | 2,119         | 2,119 | -              | -       |
| Joint venture companies | 10,26(b) | 1,527         | -     | -              | -       |
|                         |          | <b>12,281</b> | 5,007 | <b>839,763</b> | 824,576 |

#### Dividends

|                                    |   |   |   |        |   |
|------------------------------------|---|---|---|--------|---|
| Dividends from controlled entities | 2 | - | - | 44,936 | - |
|------------------------------------|---|---|---|--------|---|

#### Interest

|                                   |   |   |   |     |   |
|-----------------------------------|---|---|---|-----|---|
| Interest from controlled entities | 2 | - | - | 291 | - |
|-----------------------------------|---|---|---|-----|---|

#### Amounts receivable from/(payable to) related entities

|                         |     |                  |          |          |          |
|-------------------------|-----|------------------|----------|----------|----------|
| Controlled entities     |     |                  |          |          |          |
| Payable                 | 19  | -                | -        | (18,518) | (18,238) |
| Associated companies    |     |                  |          |          |          |
| Receivable              | 6,9 | 688              | 793      | -        | -        |
| Related entities        |     |                  |          |          |          |
| Payable*                | 16  | (61,803)         | (6,825)  | -        | -        |
| Subordinated debentures | 20  | (45,500)         | (45,500) | -        | -        |
| Convertible debentures  | 20  | (45)             | (45)     | -        | -        |
| Other                   | 19  | (565)            | (381)    | -        | -        |
|                         |     | <b>(107,913)</b> | (52,751) | -        | -        |

\* The amount of interest ultimately payable is dependent on the amount of any dividend paid by the controlled entity, The Ten Group Pty Limited.

### 35 RELATED PARTY INFORMATION (CONTINUED)

#### Financial transactions with related entities

| Entity's name                               | Note | Nature of transaction at normal commercial terms   | Amount<br>\$'000 |
|---|------|--|------------------|
| <b>With related entities:</b>               |      |  |                  |
| CanWest Global Communications Corp. (Group) | 3    | Interest on subordinated and convertible debentures accrued by The Ten Group Pty Limited                                 | 87,791           |
| Eye Corp Pty Limited                        |      | Loan from The Ten Group Pty Limited (Non-Current)  | 79,408           |
| Eye Corp Pty Limited                        |      | Purchase of Out-of-home advertising by Network Ten Pty Limited   | 289              |
| Eye Corp Pty Limited                        |      | Rental income charged by Network Ten Pty Limited, Network Ten (Adelaide) Pty Limited and Network Ten (Perth) Pty Limited | 119              |

#### 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.

Also during the financial year, Investec Wentworth Pty Limited provided the consolidated entity with corporate consultancy services on normal commercial terms and conditions. Mr GH Levy, a Director of the Company, is a director of Investec Wentworth Pty Limited.

#### Loans to/from Directors

Loans to Directors of controlled entities disclosed in Note 9 were repaid during the current period. No interest was payable on the loans.

### 36 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:

|  | Consolidated   |                | The Company    |                |
|--|----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000 | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Unsecured guarantees by a controlled entity and consolidated entity in respect of leases of controlled entities in the group   | 34,856         | 39,053         | -              | -              |
| Secured guarantees by a controlled entity, Eye Corp Pty Limited, in respect of leases of certain of its controlled entities. The guarantees are secured by a fixed and floating charge over all assets of the Eye Corp Pty Limited consolidated entity | 1,910          | 1,768          | -              | -              |
|  | <b>36,766</b>  | 40,821         | -              | -              |

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

### 37 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.

##### Ventures

Investments in the online industry.

#### 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.

### 37 SEGMENT INFORMATION (CONTINUED)

#### Primary reporting – Business segments

|   | Television<br>\$'000 | Out-of-home<br>\$'000 | Eliminations<br>/Unallocated<br>\$'000 | Consolidated<br>\$'000 |
|---|----------------------|-----------------------|--|------------------------|
| <b>2003</b>                                     |                      |                       |  |                        |
| <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                    | 75                                     | 3,205                  |
| Total revenue                                   | 663,536              | 69,867                | (333)                                  | 733,070                |
| <b>Segment Result</b>                           |                      |                       |  |                        |
| Result  | 210,308              | 2,808                 | (1,082)                                | 212,034                |
| Share of associates' and joint ventures' profit | 193                  | 2,237                 | –                                      | 2,430                  |
| EBITDA  | 210,501              | 5,045                 | (1,082)                                | 214,464                |
| Depreciation                                    | (12,883)             | (4,743)               | –                                      | (17,626)               |
| Amortisation                                    | –                    | (3,517)               | –                                      | (3,517)                |
| EBIT  | 197,618              | (3,215)               | (1,082)                                | 193,321                |
| Non-recurring Items                             | (20,000)             | –                     | –                                      | (20,000)               |
| Borrowing costs                                 |                      |                       |  | (117,042)              |
| Interest revenue                                |                      |                       |  | 2,614                  |
| Profit before tax                               |                      |                       |  | 58,893                 |
| Income tax revenue/(expense)                    |                      |                       |  |                        |
| Normal  |                      |                       |  | (23,503)               |
| Non-recurring                                   |                      |                       |  | 68,041                 |
| Net Profit after tax                            |                      |                       |  | 103,431                |
| 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               | 694                                    | 1,529,791              |
| Investments in associates and joint ventures    | 7,962                | 4,319                 | –                                      | 12,281                 |
| Consolidated total assets                       |                      |                       |  | 1,542,072              |
| <b>Liabilities</b>                              |                      |                       |  |                        |
| Segment liabilities                             | 929,416              | 26,419                | 175                                    | 956,010                |
| Acquisitions of non-current assets              | 27,666               | 2,206                 | –                                      | 29,872                 |

### 37 SEGMENT INFORMATION (CONTINUED)

#### Primary reporting – Business segments (continued)

| 2002                               | Television<br>\$'000 | Out-of-home<br>\$'000 | Ventures<br>\$'000 | Eliminations<br>/Unallocated<br>\$'000 | Consolidated<br>\$'000 |
|------------------------------------|----------------------|-----------------------|--------------------|--|------------------------|
| <b>Revenue</b>                     |                      |                       |                    |  |                        |
| Sales to external customers        | 587,453              | 78,102                | –                  | –                                      | 665,555                |
| Inter-segment sales                | 171                  | 667                   | –                  | (838)                                  | –                      |
| Total sales revenue                | 587,624              | 78,769                | –                  | (838)                                  | 665,555                |
| Other revenue                      | 1,172                | 143                   | 142                | 117                                    | 1,574                  |
| Total revenue                      | 588,796              | 78,912                | 142                | (721)                                  | 667,129                |
| <b>Segment Result</b>              |                      |                       |                    |  |                        |
| Result                             | 173,590              | 1,019                 | 142                | (1,185)                                | 173,566                |
| Share of associates' profit        | –                    | 916                   | –                  | –                                      | 916                    |
| EBITDA                             | 173,590              | 1,935                 | 142                | (1,185)                                | 174,482                |
| Depreciation                       | (10,953)             | (5,300)               | –                  | –                                      | (16,253)               |
| Amortisation                       | (1,543)              | (10,754)              | –                  | –                                      | (12,297)               |
| EBIT                               | 161,094              | (14,119)              | 142                | (1,185)                                | 145,932                |
| Non-recurring items                | (20,015)             | (178,421)             | –                  | –                                      | (198,436)              |
| Borrowing costs                    |                      |                       |                    |  | (37,355)               |
| Interest revenue                   |                      |                       |                    |  | 1,040                  |
| Loss before tax                    |                      |                       |                    |  | (88,819)               |
| Income tax expense                 |                      |                       |                    |  |                        |
| Normal                             |                      |                       |                    |  | (34,353)               |
| Non-recurring                      |                      |                       |                    |  | (36,158)               |
| Net Loss after tax                 |                      |                       |                    |  | (159,330)              |
| Depreciation and amortisation      | 12,496               | 16,054                | –                  | –                                      | 28,550                 |
| Other non-cash expenses            | 16,522               | 169,540               | –                  | –                                      | 186,062                |
| <b>Assets</b>                      |                      |                       |                    |  |                        |
| Segment assets                     | 1,451,436            | 137,366               | –                  | 660                                    | 1,589,462              |
| Investments in associates          | 2,119                | 2,888                 | –                  | –                                      | 5,007                  |
| Consolidated total assets          |                      |                       |                    |  | 1,594,469              |
| <b>Liabilities</b>                 |                      |                       |                    |  |                        |
| Segment liabilities                | 733,467              | 69,040                | –                  | 185                                    | 802,692                |
| Acquisitions of non-current assets | 20,509               | 5,004                 | –                  | –                                      | 25,513                 |

### 38 NOTES TO THE STATEMENTS OF CASH FLOWS

|  | Consolidated    |                | The Company    |                |
|--|-----------------|----------------|----------------|----------------|
|  | 2003<br>\$'000  | 2002<br>\$'000 | 2003<br>\$'000 | 2002<br>\$'000 |
| Reconciliation of profit/(loss) from ordinary activities after income tax to net cash flow from operating activities |                 |                |                |                |
| Net profit/(loss) from ordinary activities after income tax expense  | <b>103,431</b>  | (159,330)      | <b>44,220</b>  | (1,049)        |
| Non-cash revenue   | <b>(2,430)</b>  | (916)          | –              | –              |
| Non-cash expenses  | <b>21,143</b>   | 28,550         | –              | –              |
| Dividends from associates  | <b>1,915</b>    | 280            | –              | –              |
| Loss/(Profit) on sale of non-current assets  | <b>73</b>       | (459)          | –              | –              |
| Write down of program rights – Columbia features   | <b>20,000</b>   | –              | –              | –              |
| Non-cash tax benefit due to tax consolidations   | <b>(62,041)</b> | –              | –              | –              |
| Write down of Out-of-home goodwill and other charges   | –               | 178,422        | –              | –              |
| Write down of non-current assets   | –               | 20,015         | –              | –              |
| Debenture interest accrued   | <b>87,791</b>   | 6,825          | –              | –              |
| Amount paid from provisions  | <b>(17,123)</b> | (10,111)       | –              | –              |
| Net increase/(decrease) in tax provisions  | <b>55,162</b>   | (17,505)       | –              | (19)           |
| Net decrease in accrued revenue and expense items in payables/(receivables)  | <b>(10,585)</b> | (23,692)       | <b>(13)</b>    | 55,479         |
| Net cashflow from operating activities   | <b>197,336</b>  | 22,079         | <b>44,207</b>  | 54,411         |

#### Non cash financing and investing activities

During the year 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.

### 39 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(a), 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(a), 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:

|   | 2003<br>\$'000   | Consolidated<br>2002<br>\$'000 |
|---|------------------|--------------------------------|
| <b>Abridged Statement of financial performance</b>  |                  |                                |
| <b>Profit/(loss) from ordinary activities before income tax</b>                                   | <b>63,884</b>    | (67,473)                       |
| Income tax benefit/(expense) relating to ordinary activities                                      | <b>27,894</b>    | (72,249)                       |
| <b>Profit/(loss) from ordinary activities after income tax</b>                                    | <b>91,778</b>    | (139,722)                      |
| Profit/(loss) from extraordinary items after income tax   | -                | -                              |
| <b>Net profit/(loss)</b>  | <b>91,778</b>    | (139,722)                      |
| Retained profits at the beginning of year   | <b>21,953</b>    | 161,675                        |
| Adjustment to retained profits at beginning of year on initial adoption of AASB 1020 Income Taxes | <b>(44,108)</b>  | -                              |
|   | <b>69,623</b>    | 21,953                         |
| Dividends provided or paid  | <b>(53,602)</b>  | -                              |
| <b>Retained earnings at end of year</b>   | <b>16,021</b>    | 21,953                         |
| <b>Statement of financial position</b>  |                  |                                |
| Cash assets   | <b>19,375</b>    | 11,799                         |
| Receivables   | <b>116,641</b>   | 147,101                        |
| Inventories   | <b>122,411</b>   | 126,503                        |
| Current tax receivable  | -                | 65,542                         |
| Other   | <b>1,076</b>     | 3,883                          |
| <b>Total current assets</b>   | <b>259,503</b>   | 354,828                        |
| Receivables   | <b>74,121</b>    | 30,517                         |
| Inventories   | <b>3,005</b>     | 1,565                          |
| Investments accounted for using the equity method   | <b>5,843</b>     | -                              |
| Other financial assets  | <b>27,119</b>    | 27,528                         |
| Property, plant and equipment   | <b>71,806</b>    | 62,698                         |
| Intangibles   | <b>1,077,823</b> | 1,077,823                      |
| Other   | <b>1,268</b>     | -                              |
| <b>Total non-current assets</b>   | <b>1,260,985</b> | 1,200,131                      |
| <b>Total assets</b>   | <b>1,520,488</b> | 1,554,959                      |
| Payables  | <b>204,494</b>   | 143,137                        |
| Provisions  | <b>29,633</b>    | 24,155                         |
| <b>Total current liabilities</b>  | <b>234,127</b>   | 167,292                        |
| Payables  | <b>9,378</b>     | 28,326                         |
| Interest-bearing liabilities  | <b>430,630</b>   | 505,545                        |
| Deferred tax liabilities  | <b>224,286</b>   | 32,042                         |
| Provisions  | <b>1,796</b>     | 1,971                          |
| <b>Total non-current liabilities</b>  | <b>666,090</b>   | 567,884                        |
| <b>Total liabilities</b>  | <b>900,217</b>   | 735,176                        |
| <b>Net assets</b>   | <b>620,271</b>   | 819,783                        |
| Contributed equity  | <b>59,934</b>    | 45,500                         |
| Reserves  | <b>544,316</b>   | 752,330                        |
| Retained earnings   | <b>16,021</b>    | 21,953                         |
| <b>Total Equity</b>   | <b>620,271</b>   | 819,783                        |

## 40 DIVIDENDS

Dividends proposed or paid by the Company are:

|   | Cents per share | Total amount<br>\$'000 | Date of Payment  | Tax rate for<br>franking credit | Percentage<br>franked |
|---|-----------------|------------------------|------------------|---------------------------------|-----------------------|
| <b>2003</b>                               |                 |                        |                  |                                 |                       |
| Dec – ordinary dividend proposed and paid | 6.5             | 25,104                 | 28 February 2003 | 30%                             | 100%                  |
| Jun – ordinary dividend proposed and paid | 5.0             | 19,352                 | 4 July 2003      | 30%                             | 100%                  |
| <b>2002</b>                               |                 |                        |                  |                                 |                       |
| Final – ordinary dividend proposed        | –               | –                      | n/a              | n/a                             | n/a                   |
| Final – ordinary dividend paid            | 14.35           | 54,647                 | 2 January 2002   | 30%                             | 100%                  |
|   |                 |                        |                  | The Company                     |                       |
|   |                 |                        |                  | <b>2003</b>                     | 2002                  |
|   |                 |                        |                  | <b>\$'000</b>                   | <b>\$'000</b>         |

### Dividend franking account

|  |               |        |
|--|---------------|--------|
| Franking credits (30%) available for the subsequent financial year | <b>13,879</b> | 13,673 |
|--|---------------|--------|

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.

## 41 SUBSEQUENT EVENTS

On 8 October 2003 the directors declared a special dividend of 5.5 cents per share to be paid on 8 January 2004. The special dividend is a result of the additional distributable earnings from the implementation of the tax consolidations regime on 1 July 2003.

Except for the special dividend noted above, at the date of this report, 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 2003 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 2003 of the consolidated entity.

The Directors declare that the financial statements and notes set out on pages 6 to 34:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements. In accordance with section 334(5) of the Corporations Act 2001, the Company has elected to adopt AASB 1020 Income Taxes, effective from 1 September 2002; and
- (b) give a true and fair view of the Company's and Consolidated Entity's financial position as at 31 August 2003 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(a), 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 at Sydney on 8 October 2003 in accordance with a resolution of the Directors.



**NG Falloon**

Chairman

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

This audit report relates to the financial report of Ten Network Holdings Limited (the Company) and the Ten Network Holdings Consolidated Group (the Consolidated Entity) for the financial year ended 31 August 2003 included on the Company's web site. The Company's directors are responsible for the integrity of the Company's 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 Ten Network Holdings Limited:

- gives a true and fair view of the financial position of Ten Network Holdings Limited and the Ten Network Holdings Consolidated Group at 31 August 2003, 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.

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 Ten Network Holdings Limited and the Ten Network Holdings Consolidated Group, for the year ended 31 August 2003. 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.


We read the other information in the Annual Report to determine whether it contained 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 the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.



PricewaterhouseCoopers



**SJ Bosiljevac**

Partner

Sydney

8 October 2003





[www.ten.com.au](http://www.ten.com.au)