

THE TEN GROUP PTY LIMITED ACN 057 564 708
FINANCIAL REPORT for the year ended 31 August 2002

seriously



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DIRECTORS' REPORT

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

The Directors of The Ten Group Pty Limited present their report on the consolidated entity, consisting of The Ten Group Pty Limited ("The Company") and its controlled entities, for the year ended 31 August 2002.

DIRECTORS

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

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

^A Mr NG Falloon was appointed on 13 February 2002.

^B Mr JB Studdy resigned as Director on 13 February 2002.

Mr JJ Cowin ceased as alternate Director for Mr JB Studdy on 10 October 2001.

Mr PV Gleeson was appointed alternate Director for Mr JB Studdy on 10 October 2001 and ceased as alternate Director for Mr JB Studdy on 13 February 2002.

^C Ms S Whittaker was appointed alternate Director for Mr TC Strike on 4 June 2002.

Mr LJ Asper ceased as alternate Director for Mr TC Strike on 4 June 2002.

Mr PD Viner was appointed alternate Director for Mr TC Strike on 30 July 2002.

Ms S Whittaker ceased as alternate Director for Mr TC Strike on 30 July 2002.

^D Ms S Whittaker was appointed alternate Director for Mr PD Viner on 2 July 2002.

Mr TC Strike ceased as alternate Director for Mr PD Viner on 2 July 2002.

^E Ms IYL Lee was appointed alternate Director for Mr LS Freedman on 25 September 2001.

Mr BM Sherman ceased as alternate Director for Mr LS Freedman on 25 September 2001.

Mr BG Sechos was appointed alternate Director for Mr LS Freedman on 10 September 2002.

Ms IYL Lee ceased as alternate Director for Mr LS Freedman on 10 September 2002.

^F Mr BG Sechos was appointed alternate Director for Mr BM Sherman on 16 October 2001.

^G Mr JB Studdy was appointed alternate Director for Ms IYL Lee on 20 December 2001.

PRINCIPAL ACTIVITIES

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

RESULT

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

	2002 \$'000	2001 \$'000
Earnings before interest, taxes and non-recurring items	144,921	133,420
Non-recurring items	(198,436)	29,882
Earnings before interest and taxes	(53,515)	163,302
Subordinated debenture interest	6,825	71,271
Net interest expense – other	27,411	18,392
(Loss)/Profit from ordinary activities before related income tax expense	(87,751)	73,639
Income tax expense relating to ordinary activities		
Recurring	34,372	23,822
Non-recurring tax settlement expenses	36,158	–
Net (loss)/profit from ordinary activities after related income tax expense	(158,281)	49,817
Net loss attributable to outside equity interests	29,790	5,451
Net (loss)/profit attributable to members of The Ten Group Pty Limited	(128,491)	55,268

DIRECTORS' REPORT

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

DIVIDEND

Since the end of the previous financial year a fully franked ordinary dividend of 14.554 cents per share and in total \$66,221,000 was paid on 20 December 2001 in respect of the results for the year ended 31 August 2001. No dividend will be 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) Eye Corp Acquisition

On 19 August 2002, the Company acquired the remaining 40% of Eye Corp Pty Limited's share capital for \$10m. The Company now owns 100% of Eye Corp Pty Limited.

(b) WriteDown of Eye Corp goodwill

During the year ended 31 August 2002 the Eye Corp goodwill was written down by \$172.5m to its recoverable amount of \$53.6m. Of this writedown, \$48.3m was attributable to minority shareholders. The investment of \$202.9m was also written down by \$177.9m to \$25.0m at the Company level.

(c) Tax Matter

On 30 August 2002 the Company settled its dispute with the Australian Tax Office ("ATO") over the deductibility of debenture interest payments. The settlement resulted in a non-recurring tax expense charge of \$36.2m, which consists of a \$35m payment to the ATO and \$1.2m of costs incurred in respect of the dispute

(d) Writedown of Other Assets and Other Additional Charges

Television

During the year ended 31 August 2002 the consolidated entity has fully provided against its investment in Television & Media Services Limited, resulting in a \$16.5m non-recurring expense item. The consolidated entity has also written off capitalised costs associated with the start up of digital television, resulting in a \$3.5m non-recurring expense item.

Out Of Home

During the year ended 31 August 2002 Eye Corp Pty Limited has written down the carrying value of various non-current assets to their recoverable amounts and made provision for other charges, resulting in \$5.9m of non-recurring expense items.

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

At the date of this report, no matters or circumstances have arisen since balance date that has significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2002 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 2002 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.

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.

DIRECTORS' REPORTTHE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES **FOR THE YEAR ENDED 31 AUGUST 2002****INDEMNIFICATION OF OFFICERS**

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

The principal provisions of the deed of indemnity are:

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

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

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

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

Signed in Sydney on 10 October 2002 in accordance with a resolution of the Directors.



NG Falloon
CHAIRMAN

STATEMENTS OF FINANCIAL PERFORMANCE

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Note	Consolidated		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Revenue from ordinary activities	2	667,012	664,157	645,697	563,012
Television costs		(446,110)	(401,061)	(498,425)	(366,360)
Out Of Home costs		(272,214)	(65,683)	(174,946)	–
Ventures costs		–	(31,099)	–	–
Borrowing costs	3(b)	(37,355)	(93,263)	(6,825)	(71,271)
Share of net profit of associates and joint ventures accounted for using the equity method	26	916	588	–	–
(Loss)/Profit from ordinary activities before income tax expense		(87,751)	73,639	(34,499)	125,381
Income tax expense	4(a)	(70,530)	(23,822)	(58,055)	(24,296)
Net (loss)/profit from ordinary activities after income tax expense		(158,281)	49,817	(92,554)	101,085
Net loss attributable to outside equity interests		29,790	5,451	–	–
Net (loss)/profit attributable to members of the Company	24	(128,491)	55,268	(92,554)	101,085
Increase in asset revaluation reserve	23	751,400	–	–	–
Net exchange difference on translation of financial report of foreign controlled entities	23	(81)	18	–	–
Total changes in equity from non-owner related transactions attributable to the members of the Company		622,828	55,286	(92,554)	101,085

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

STATEMENTS OF FINANCIAL POSITION

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES AS AT 31 AUGUST 2002

	Note	Consolidated		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
CURRENT ASSETS					
Cash	5	11,799	21,769	2,465	17,283
Receivables	6	116,124	103,251	137,708	109,172
Inventories	7	127,638	110,669	–	–
Current tax receivables	4(b)	63,716	11,234	65,111	11,477
Other	8	12,029	7,531	–	–
Total Current Assets		331,306	254,454	205,284	137,932
NON-CURRENT ASSETS					
Receivables	9	2,116	4,649	280,800	280,800
Inventories	12	1,565	1,590	–	–
Investments accounted for using the equity method	10	2,888	2,384	–	–
Other financial assets	11	2,553	19,050	69,337	234,394
Property, plant and equipment	13	84,779	75,829	–	–
Intangibles	14	1,159,707	624,655	–	–
Deferred tax assets	4(c)	8,270	2,708	2,708	12,868
Other	15	626	5,009	–	–
Total Non-Current Assets		1,262,504	735,874	352,845	528,062
Total Assets		1,593,810	990,328	558,129	665,994
CURRENT LIABILITIES					
Payables	16	159,958	225,596	10,956	75,307
Interest-bearing liabilities	17	29,247	28,292	–	–
Current tax liabilities	4(b)	–	–	–	–
Provisions	18	40,737	122,940	–	66,221
Total Current Liabilities		229,942	376,828	10,956	141,528
NON-CURRENT LIABILITIES					
Payables	19	26,521	20,532	387,557	272,296
Interest-bearing liabilities	20	510,111	344,256	45,545	45,545
Deferred tax liabilities	4(d)	32,042	8,456	–	–
Provisions	21	1,971	3,165	–	–
Total Non-Current Liabilities		570,645	376,409	433,102	317,841
Total Liabilities		800,587	753,237	444,058	459,369
Net Assets		793,223	237,091	114,071	206,625
EQUITY					
Contributed equity	22	45,500	45,500	45,500	45,500
Reserves	23	752,266	947	6,585	6,585
Retained earnings	24	(4,468)	124,023	61,986	154,540
Total parent entity interest		793,298	170,470	114,071	206,625
Outside equity interests in controlled entities	30	(75)	66,621	–	–
Total Equity		793,223	237,091	114,071	206,625

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

STATEMENTS OF CASH FLOWS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Note	Consolidated		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
CASH AND ITS EQUIVALENTS					
Cash on hand	5	65	69	–	–
Cash at bank	5	11,734	21,700	2,465	17,283
Bank overdraft	17	(1,791)	(1,084)	–	–
At end of year		10,008	20,685	2,465	17,283
At commencement of year		20,685	38,309	17,283	1,114
Net cash (outflow)/inflow for the year		(10,677)	(17,624)	(14,818)	16,169
Represented by:					
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		745,199	610,972	501,136	444,958
Payments to suppliers and employees		(609,867)	(521,070)	(4,569)	(2,945)
Dividends received		346	1,959	–	18,899
Debt collection fee received		–	–	102,669	–
Network fee paid		–	–	(492,083)	(330,791)
Interest received		933	1,424	29,574	26,801
Interest paid		(25,503)	(18,897)	–	–
Income tax paid					
General		(51,858)	(55,043)	(48,399)	(47,216)
Tax settlement		(36,158)	–	(36,158)	–
Net cash flow from operating activities	36	23,092	19,345	52,170	109,706
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(66,221)	(73,797)	(66,221)	(73,797)
Debenture interest paid		(66,221)	(73,797)	(66,221)	(73,797)
Debenture interest – withholding tax		(6,622)	(7,380)	(6,622)	(7,380)
Amounts paid re: Tax Dispute*		(16,972)	–	(16,972)	–
Bank loan					
Drawdown		538,000	526,435	–	–
Repayment		(372,359)	(282,804)	–	–
Net cash flow from financing activities		9,605	88,657	(156,036)	(154,974)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Acquisition of property, plant and equipment		(25,490)	(23,120)	–	–
Proceeds on disposal of property, plant and equipment		326	13,282	–	–
Payment for controlled entities (net of cash acquired)	25(b)	(10,000)	(184,711)	(10,000)	(189,946)
Payment for Out of Home investments and site acquisitions		(6,361)	–	–	–
Payment for intangible licence rights		–	(1,000)	–	–
Sale of equity investments		142	91,682	–	91,682
Advances/(repayments)					
Controlled entities		–	–	99,048	159,701
Associated companies and joint ventures		11	(12,173)	–	–
Directors of controlled entities		(1,017)	1,017	–	–
Other related parties		(1,138)	(7,766)	–	–
Other		153	(2,837)	–	–
Net cash flow from investment activities		(43,374)	(125,626)	89,048	61,437
Net cash (outflow)/inflow for the year		(10,677)	(17,624)	(14,818)	16,169

*: Amount received from the ATO on 6 September 2002.

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

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

(a) Principles of Consolidation

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

All inter-company 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

Tax effect accounting has been adopted, whereby income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent taxation differences. The tax effect of timing differences which occur where items are assessed or deducted for income tax purposes in a period different to that for accounting, is shown in the Provision for Deferred Income Tax and Future Income Tax Benefit, as applicable, at taxation rates applicable when such timing differences are expected to reverse, to the extent that realisation of the Future Income Tax Benefit is considered beyond reasonable doubt. The Future Income Tax Benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

(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.

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

(d) Inventories

Television Program Rights

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

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

Other inventories

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

(e) Property, plant and equipment

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

	2002	2001
Buildings	40 years	40 years
Plant and Equipment	3 to 10 years	3 to 10 years

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

NOTES TO THE FINANCIAL STATEMENTSTHE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES **FOR THE YEAR ENDED 31 AUGUST 2002****1****STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED****(f) Intangibles****Television Licences**

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

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

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

Change in accounting policy for television licences

The policy of revaluation was adopted with effect from 31 August 2002. The previous policy was to carry television licences in the financial statements at cost. The new policy was adopted to provide more relevant information about the television licences.

The change in accounting policy resulted in an increase of \$751,401,000 in the consolidated carrying amount of television licences as at 31 August 2002, with a corresponding increase in the consolidated asset revaluation reserve and consolidated total assets, net assets and total equity. The change had no effect on revenues or expenses in the statement of financial performance.

If the new accounting policy had always been applied, the carrying amount of the television licences in the 2001 financial statements would have been \$1,077,823,131 and the asset revaluation reserve would have been \$752,331,109. This means there would have been nil impact on the 2002 financial statements if this accounting policy had always been applied.

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

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

Investments in associates 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 companies. The consolidated entity's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases.

(h) Leases**Operating leases**

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

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.

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

1

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is written down to its recoverable amount. The write down is recognised as an expense in the reporting period in which it occurs.

Where the net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets.

(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 and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

A liability for long service leave and Indonesian statutory severance entitlements is 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 and ancillary costs incurred in connection with arrangement of borrowings.

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) 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.

(q) 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.

(r) Foreign Currency Translation

(i) 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.

(ii) Translation of Controlled Foreign Entities

The assets and liabilities of foreign operations, including associates and joint ventures, that are self-sustaining are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates.

The statements of financial performance are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Note	Consolidated		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
2 REVENUE FROM ORDINARY ACTIVITIES					
Revenue from Operating Activities					
Provision of services		665,555	551,174	513,454	438,836
Debt collection fees		–	–	102,669	–
Revenue from Outside the Operating Activities					
Dividends – Other		66	5,702	–	4,346
Interest					
Controlled entity	33	–	–	29,574	27,147
Other		923	1,354	–	38
Gross proceeds on sale of listed investments		142	92,645	–	92,645
Gross proceeds on sale of property, plant and equipment		326	13,282	–	–
Total Revenue from Ordinary Activities		667,012	664,157	645,697	563,012
3 (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE					
(a) Non-recurring items included in (loss)/profit from ordinary activities before related income tax expense					
Writedown of goodwill and other charges		(178,421)	(3,711)	–	–
Net profit on sale of listed investments		–	58,626	–	58,626
Net profit on sale of land and buildings		–	6,989	–	–
Writeoff of capitalised costs		(3,493)	–	–	–
Writedown of unlisted online investments		–	(26,877)	–	–
Writedown of listed investments		(16,522)	(2,366)	(112)	–
Writedown of investments in controlled entities		–	–	(174,946)	–
Restructure and relocation costs		–	(2,779)	–	–
		(198,436)	29,882	(175,058)	58,626
(b) (Loss)/Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:					
Profit on sale of property, plant and equipment		(317)	(17)	–	–
Profit on sale of investments		(142)	–	–	–
Foreign currency losses – realised		27	–	–	–
Network fee paid to controlled entity	33	–	–	492,083	330,791
Net bad and doubtful debts, including movements in provision for doubtful debts		794	(14)	–	–
Operating lease rentals					
Minimum lease payments		49,134	39,548	–	–
Contingent rental expense		6,112	6,185	–	–
Borrowing costs					
Subordinated debentures	33	6,825	71,271	6,825	71,271
Other		30,530	21,992	–	–
		37,355	93,263	6,825	71,271
Depreciation and amortisation of property, plant & equipment					
Plant and equipment		15,722	9,359	–	–
Leasehold improvements		161	75	–	–
Buildings		253	252	–	–
Leased plant and equipment		117	995	–	–
Amortisation					
Goodwill		10,043	9,342	–	–
Other intangibles		711	501	–	–
Capitalised digital costs		1,543	1,019	–	–

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Consolidated		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
4 INCOME TAX				
(a) Income tax expense				
The prima facie tax payable (30%; 2001: 34% 10 months to June 2001; 30% 2 months to August 2001) on the (loss)/ profit from ordinary activities is reconciled to income tax expense as follows:				
(Loss)/Profit from ordinary activities before income tax expense	(87,751)	73,639	(34,499)	125,381
Prima facie tax payable	(26,326)	24,298	(10,350)	41,151
Increase in income tax expense is due to:				
Non-recurring tax settlement expenses	36,158	–	36,158	–
Non deductible expenditure				
Amortisation	3,226	3,248	–	–
Writedown of goodwill	51,735	–	–	–
Writedown of listed investments	4,957	710	34	–
Writedown of unlisted investments	–	–	52,485	–
Other	1,356	875	–	–
Prior year adjustments	–	553	–	–
Decrease in income tax expense is due to:				
Non-assessable profits on sale of listed investments	–	–	(7,151)	–
Prior year adjustments	(576)	–	(591)	–
Dividend rebate	–	(1,478)	–	(1,478)
Tax benefit on losses transferred from controlled entities	–	–	(12,182)	(13,904)
Benefit of tax losses of prior years recouped	–	(1,421)	–	(1,421)
Other	–	–	(348)	–
Tax rate change	–	(2,963)	–	(52)
Income tax expense	70,530	23,822	58,055	24,296
Income tax expense comprises:				
Non-recurring tax settlement expenses	36,158	–	36,158	–
Provision for tax	16,766	(1,228)	12,329	8,104
Movement in deferred tax balances	18,023	24,935	10,159	16,192
Prior year underprovision	(417)	115	(591)	–
	70,530	23,822	58,055	24,296
(b) Current tax (receivables)/liabilities				
Provision for income tax	(63,716)	(11,234)	(65,111)	(11,477)
(c) Deferred tax assets				
Future income tax benefit	8,270	2,708	2,708	12,868
(d) Deferred tax liabilities				
Provision for deferred income tax	32,042	8,456	–	–
The future income tax benefit shown in Note 4(c) includes \$4.4m attributable to tax losses.				
The potential future income tax benefit relating to tax losses not brought to account is:	1,071	429	–	–
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.				

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES **FOR THE YEAR ENDED 31 AUGUST 2002**

	Note	Consolidated		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
5 CASH					
Cash on hand		65	69	-	-
Cash at bank		11,734	21,700	2,465	17,283
	31	11,799	21,769	2,465	17,283
6 RECEIVABLES (CURRENT)					
Trade debtors		127,426	112,602	95,354	80,070
Provisions for doubtful debts and advertising credits		(11,677)	(10,032)	(3,860)	(898)
		115,749	102,570	91,494	79,172
Loans and advances					
Controlled entities	33	-	-	46,214	30,000
Associated companies	33	2	2	-	-
Directors of controlled entities	33	-	17	-	-
Other		373	662	-	-
		375	681	46,214	30,000
	31	116,124	103,251	137,708	109,172
7 INVENTORIES (CURRENT)					
Program rights		126,503	109,106	-	-
Other inventories		1,135	1,563	-	-
		127,638	110,669	-	-
8 OTHER ASSETS (CURRENT)					
Prepayments and sundry debtors		12,029	6,017	-	-
Capitalised costs		-	1,514	-	-
		12,029	7,531	-	-
9 RECEIVABLES (NON-CURRENT)					
Other receivables		-	81	-	-
Loans and advances					
Associated companies	33	791	681	-	-
Related entities	33	-	665	-	-
Directors of controlled entities	33	350	350	-	-
Other		975	2,872	-	-
Controlled entities					
Debentures	33	-	-	80,800	80,800
Other	33	-	-	200,000	200,000
	31	2,116	4,649	280,800	280,800
10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Associates	26,33	2,888	2,384	-	-

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Note	Consolidated		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
11 OTHER FINANCIAL ASSETS					
Investments in listed securities					
Cost		16,522	18,888	112	112
Provision for diminution		(16,522)	(2,366)	(112)	–
		–	16,522	–	112
Investments in unlisted securities					
Controlled entities	33	–	–	69,337	234,282
Associates companies	33	2,119	2,119	–	–
Other		434	409	–	–
		2,553	19,050	69,337	234,394
12 INVENTORIES (NON-CURRENT)					
Program rights		1,565	1,590	–	–
13 PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
At cost		5,188	5,135	–	–
Freehold buildings					
At cost		9,461	9,016	–	–
Accumulated depreciation		(1,748)	(1,495)	–	–
		7,713	7,521	–	–
Leasehold improvements					
At cost		3,414	1,580	–	–
Accumulated amortisation		(549)	(388)	–	–
		2,865	1,192	–	–
Plant and equipment					
At cost		159,237	137,320	–	–
Accumulated depreciation		(94,830)	(80,062)	–	–
		64,407	57,258	–	–
Leased Plant and Equipment					
At cost		6,541	6,541	–	–
Accumulated amortisation		(1,935)	(1,818)	–	–
		4,606	4,723	–	–
Total property, plant and equipment					
Net book value		84,779	75,829	–	–

NOTES TO THE FINANCIAL STATEMENTSTHE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES **FOR THE YEAR ENDED 31 AUGUST 2002**

	Consolidated 2002 \$'000	The Company 2002 \$'000			
13	PROPERTY, PLANT AND EQUIPMENT CONTINUED				
Reconciliations					
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:					
Freehold land					
Balance at beginning of year	5,135	–			
Additions	53	–			
Balance at end of year	5,188	–			
Freehold buildings					
Balance at beginning of year	7,521	–			
Additions	445	–			
Depreciation	(253)	–			
Balance at end of year	7,713	–			
Leasehold improvements					
Balance at beginning of year	1,192	–			
Additions	1,834	–			
Amortisation	(161)	–			
Balance at end of year	2,865	–			
Plant and equipment					
Balance at beginning of year	57,258	–			
Additions	23,155	–			
Disposals	(284)	–			
Depreciation	(15,722)	–			
Balance at end of year	64,407	–			
Leased plant and equipment					
Balance at beginning of year	4,723	–			
Amortisation	(117)	–			
Balance at end of year	4,606	–			
	Note	Consolidated 2002 \$'000	2001 \$'000	The Company 2002 \$'000	2001 \$'000
14	INTANGIBLES				
Television licences	1(f)	1,077,822	326,422	–	–
Other Licences – cost		29,500	42,117	–	–
Accumulated amortisation		(1,200)	(501)	–	–
		28,300	41,616	–	–
Goodwill – cost		245,421	265,959	–	–
Writedown of goodwill		(172,451)	–	–	–
Accumulated amortisation		(19,385)	(9,342)	–	–
		53,585	256,617	–	–
		1,159,707	624,655	–	–
15	OTHER ASSETS (NON-CURRENT)				
Capitalised costs		–	3,522	–	–
Other		626	1,487	–	–
		626	5,009	–	–

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Note	Consolidated		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
16 PAYABLES (CURRENT)					
Trade creditors		145,430	143,973	4,131	2,472
Unearned income		4,135	3,853	-	-
Loans from					
Directors of controlled entities	33	-	1,034	-	-
Other		-	2,750	-	-
Accrued interest					
Related entity	33	6,825	72,835	6,825	72,835
Other		3,568	1,151	-	-
	31	159,958	225,596	10,956	75,307
17 INTEREST-BEARING LIABILITIES (CURRENT)					
Bank loans	31	23,000	1,436	-	-
Bank overdraft	31	1,791	1,084	-	-
Commercial bills	31	3,000	24,565	-	-
Lease liabilities	29,31	987	1,207	-	-
Other loans		469	-	-	-
		29,247	28,292	-	-
18 PROVISIONS (CURRENT)					
Dividend	31,38	-	66,221	-	66,221
Employee entitlements		13,234	11,343	-	-
Restructuring		-	1,974	-	-
Surplus lease space		441	657	-	-
Deferred Settlement		3,000	14,743	-	-
Other		24,062	28,002	-	-
		40,737	122,940	-	66,221
19 PAYABLES (NON-CURRENT)					
Trade creditors		26,256	20,075	4	4
Loans					
Related entities		265	-	-	-
Other		-	457	-	-
Other creditors and accruals					
Controlled entity	33	-	-	387,553	272,292
	31	26,521	20,532	387,557	272,296
20 INTEREST-BEARING LIABILITIES (NON-CURRENT)					
Bank loan	31	460,000	295,000	-	-
Debentures					
Subordinated	31,33	45,500	45,500	45,500	45,500
Convertible	31,33	45	45	45	45
Lease liabilities	29,31	4,566	3,711	-	-
		510,111	344,256	45,545	45,545

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES **FOR THE YEAR ENDED 31 AUGUST 2002**

	Consolidated		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
21 PROVISIONS (NON-CURRENT)				
Employee entitlements	1,971	2,313	–	–
Other	–	852	–	–
	<u>1,971</u>	<u>3,165</u>	<u>–</u>	<u>–</u>
22 CONTRIBUTED EQUITY				
Paid up capital				
455,000,000 ordinary shares fully paid (2001: 455,000,000)	45,500	45,500	45,500	45,500
<p>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.</p> <p>In the event of winding up of the Company ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.</p>				
23 RESERVES				
Asset revaluation	752,329	929	6,585	6,585
Foreign currency translation	(63)	18	–	–
	<u>752,266</u>	<u>947</u>	<u>6,585</u>	<u>6,585</u>
Movements during the year				
Asset revaluation				
Balance at beginning of year	929	929	6,585	6,585
Increment on revaluation of television licences	751,400	–	–	–
Balance at end of year	<u>752,329</u>	<u>929</u>	<u>6,585</u>	<u>6,585</u>
Foreign currency translation				
Balance at beginning of year	18	–	–	–
Net translation adjustment	(81)	18	–	–
Balance at end of year	<u>(63)</u>	<u>18</u>	<u>–</u>	<u>–</u>
Nature and purpose of reserves				
Asset Revaluation				
<p>The asset revaluation reserve includes the net revaluation increments and decrements arising from the revaluation to independent valuations in 1995 of land and buildings and a Directors' valuation of television licences in 2002.</p>				
Foreign currency translation				
<p>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(r)(ii).</p>				
24 RETAINED EARNINGS				
Retained earnings at beginning of year	124,023	134,976	154,540	119,676
Net (loss)/profit attributable to members of the Company	(128,491)	55,268	(92,554)	101,085
Dividends proposed	–	(66,221)	–	(66,221)
Retained earnings at end of year	<u>(4,468)</u>	<u>124,023</u>	<u>61,986</u>	<u>154,540</u>

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

25

CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Parent entity

The Ten Group Pty Limited

Controlled entities

	Ordinary Share Consolidated Entity Interest	
	2002 %	2001 %
Ten Pay TV Pty Limited (i)	100	100
Network Ten Pty Limited (i)	100	100
Network Ten (Sydney) Pty Limited (i)	100	100
Network Ten (Melbourne) Pty Limited (i)	100	100
Network Ten (Brisbane) Pty Limited (i)	100	100
Television & Telecasters (Properties) Pty Limited (i)	100	100
Network Ten Nominees Pty Limited	100	100
Caprice Pty Limited (i)	100	100
Network Ten (Adelaide) Pty Limited (i)	100	100
Chartreuse Pty Limited (i)	100	100
Network Ten (Perth) Pty Limited (i)	100	100
Ten Ventures Pty Limited	100	100
Ten Online Pty Limited	100	100
Eye Corp Pty Limited	100	60
Eye Corp Australia Pty Limited (ii)	100	60
Eye Fly (Sydney) Pty Limited (ii)	100	60
Eye Drive Sydney No. 2 Pty Limited (ii)*	100	60
Pimington Pty Limited (ii)*	100	60
Olympic Murals 2000 Pty Limited (ii)*	100	60
Boyd Outdoor Advertising Pty Limited (ii)*	100	60
Eye Digital Pty Limited (ii)	100	60
NLD Pty Limited (ii)	100	60
Australian Airport Advertising Pty Limited (ii)	100	60
Eye Corp Airport Advertising Pty Limited (ii)	100	60
Eye Drive Sydney Pty Limited (ii)	100	60
Eye Mall Media Pty Limited (ii)	100	60
Eye Outdoor Corp Pty Limited (ii)	100	60
Eye Corp Asia Limited	100	60
Eyecorp Limited	100	60
PT Netra Estha Muda	95	57
PT Agung Bali	67	41
PT Eye Corp (iii)	–	–
Eye Corp Media Pty Limited (ii)	100	60
Adval Holdings Pty Limited (ii)	100	60
Adval Australia Pty Limited (ii)	100	60

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

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

(i) Refer to Note 37 for details of The Ten Group Pty Limited Deed of Cross Guarantee.

(ii) Refer to Note 37 for details of the Eye Corp Pty Limited Deed of Cross Guarantee.

(iii) Eye Corp Asia Limited has a 100% beneficial ownership interest in PT Eye Corp.

*: In liquidation

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

25 CONTROLLED ENTITIES CONTINUED**(b) Acquisition of controlled entities**

During the financial year The Ten Group Pty Limited acquired the remaining 40% of the voting shares of Eye Corp Pty Limited and its controlled entities. During the previous financial year, The Ten Group Pty Limited purchased 60% of the voting shares of Eye Corp Pty Limited and its controlled entities. Details of the acquisitions are as follows:

	2002 \$'000	2001 \$'000		
Fair value of net assets of entity acquired:				
Property, plant and equipment	8,990	21,914		
Future income tax benefit	2,752	2,924		
Cash assets	–	5,235		
Inventories	480	1,249		
Trade debtors	5,622	17,892		
Investments	1,167	1,825		
Intangibles	29,874	26,500		
Other assets	3,677	5,377		
Bank overdraft	(215)	–		
Bank loans – secured	(9,200)	(25,522)		
Trade creditors	(7,955)	(33,339)		
Net loans payable	(20,194)	(24,723)		
Other provisions	(4,998)	(19,005)		
	10,000	(19,673)		
Outside equity interests at acquisition	–	71,956		
	10,000	(91,629)		
Goodwill on acquisition	–	281,575		
Consideration (cash)	10,000	189,946		
	Consolidated	The Company		
	2002	2001		
	\$'000	\$'000		
Consideration	10,000	189,946	10,000	189,946
Cash acquired	–	(5,235)	–	–
Outflow of cash	10,000	184,711	10,000	189,946

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	916	588	–	–
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Investments in equity accounted associates

Name	Principal Activity/Note	Balance Date	Ownership interest		Consolidated Amount of Investment		The Company Amount of Investment	
			2002 %	2001 %	2002 %	2001 %	2002 %	2001 %
Held by Eye Corp Pty Limited								
Big Tree Sdn Bhd	(i)	31 Dec	30	30	2,888	2,384	–	–

The principal activities of the associated companies are:

- (i) Outdoor advertising

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Consolidated		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED				
Investments in equity accounted associates continued				
Results of associates				
Share of associates' profit from ordinary activities before income tax expense	1,390	846	–	–
Share of associates' income tax expense relating to profit from ordinary activities	(474)	(258)	–	–
Share of associates' net profit	916	588	–	–
Share of post-acquisition retained profits and reserves attributable to associates				
Retained profits				
Share of associates' retained profits at beginning of year	588	–	–	–
Share of associates' net profits accounted for using the equity method	916	588	–	–
Share of associates' retained profits at end of year	1,504	588	–	–
Foreign Currency Translation Reserve				
Share of associates' reserve at beginning of year	21	–	–	–
Share of (decrement)/increment in associates' reserve	(128)	21	–	–
Share of associates' asset revaluation reserve at end of year	(107)	21	–	–
Movements in carrying amount of investments				
Carrying amount at the beginning of the financial year	2,384	–	–	–
Investments in associates acquired during the year	–	1,775	–	–
Share of associates' net profit	916	588	–	–
Dividends received/receivable	(284)	–	–	–
	3,016	2,363	–	–
Share of (decrement)/increment in associates' asset revaluation reserves	(128)	21	–	–
Carrying amount at the end of the financial year	2,888	2,384	–	–
Summary financial position of associates				
The consolidated entity's share of aggregate assets and liabilities of associates is as follows:				
Current assets	1,459	1,198	–	–
Non-current assets	3,645	3,585	–	–
Total assets	5,104	4,783	–	–
Current liabilities	(2,216)	(2,399)	–	–
Non-current liabilities	–	–	–	–
Total liabilities	(2,216)	(2,399)	–	–
Net assets	2,888	2,384	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

		Consolidated		The Company	
		2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000
27	DIRECTORS' REMUNERATION				
	Income paid or payable, or otherwise made available, to Directors of the Company and controlled entities by entities in the consolidated entity and related parties in connection with the management of affairs of the Company or its controlled entities.	4,835	2,453	3,360	1,482
	The number of Directors of the Company whose income from the Company or any related party falls within the following bands:				
		\$'000	\$'000	2002	2001
	0 – 10			2	6
	10 – 20			7	8
	20 – 30			2	–
	30 – 40			1	–
	50 – 60			1	–
	190 – 200			–	1
	590 – 600			1	–
	1,160 – 1,170			–	1
	1,180 – 1,190			1	–
	1,320 – 1,330			1	–

28	AUDITORS' REMUNERATION				
	Audit and other assurance services:				
	Auditors of the Company – PwC				
	– Audit or review of financial reports	434	266	–	–
	– Other audit related work	98	40	–	–
	– Other assurance services	292	576	–	–
		824	882	–	–
	Other services:				
	Auditors of the Company – PwC				
	– Advisory services	23	80	–	–
	– Taxation	745	508	–	–
		768	588	–	–
		1,592	1,470	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

29

COMMITMENTS

(a) Capital expenditure commitments

Amounts contracted but not provided for:

	Note	Consolidated 2002 \$'000	2001 \$'000	The Company 2002 \$'000	2001 \$'000
No later than one year		4,166	6,993	–	–
Later than one year and not later than five years		–	820	–	–

		4,166	7,813	–	–
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(b) Program expenditure commitments

Amounts contracted but not provided for:

No later than one year		77,767	57,707	–	–
Later than one year and not later than five years		13,721	58,544	–	–

		91,488	116,251	–	–
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(c) Non-cancellable Operating lease commitments

Minimum lease payments contracted but not provided for:

No later than one year		39,643	46,829	–	–
Later than one year and not later than five years		91,274	127,694	–	–
Later than five years		34,246	50,988	–	–

		165,163	225,511	–	–
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(d) Finance lease commitments

Finance lease commitments are payable:

No later than one year		1,370	1,257	–	–
Later than one year and not later than five years		4,579	3,777	–	–

		5,949	5,034	–	–
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Less: Total future minimum sub lease payments receivable

		396	116	–	–
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		5,553	4,918	–	–
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Represented by:

Current	17	987	1,207	–	–
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Non-current	20	4,566	3,711	–	–
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		5,553	4,918	–	–
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(e) Superannuation

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

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

30

OUTSIDE EQUITY INTERESTS

		Consolidated	
		2002 \$000	2001 \$000
Outside equity interests in controlled entities comprise:			
Interest in share capital		104	72,922
Interest in reserves		(3)	12
Interest in retained earnings at the end of the financial year		(176)	(6,313)
Total outside equity interests		(75)	66,621

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Note	Floating interest rate \$'000	Fixed interest maturing in:			Non-interest bearing \$'000	Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
31 FINANCIAL INSTRUMENTS							
2002 – Consolidated							
Financial assets							
Cash	5	11,734	–	–	–	65	11,799
Receivables	6,9	–	–	–	–	118,240	118,240
Investments	11	–	–	–	–	434	434
		11,734	–	–	–	118,739	130,473
Financial liabilities							
Payables	16,19	–	–	–	–	186,479	186,479
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
		533,336	987	4,566	–	186,479	725,368
Net financial assets (liabilities)		(521,602)	(987)	(4,566)	–	(67,740)	(594,895)
Interest rate swaps *		–	50,000	165,000	50,000	–	265,000
Weighted average interest rate							5.8%
2001 – Consolidated							
Financial assets							
Cash	5	21,700	–	–	–	69	21,769
Receivables	6,9	–	–	–	–	107,900	107,900
Investments	11	–	–	–	–	16,931	16,931
		21,700	–	–	–	124,900	146,600
Financial liabilities							
Payables	16,19	–	–	–	–	246,128	246,128
Bank overdrafts and loans	17,20	297,520	–	–	–	–	297,520
Commercial bills	17	24,565	–	–	–	–	24,565
Subordinated debentures	20	45,500	–	–	–	–	45,500
Convertible debentures	20	45	–	–	–	–	45
Lease liabilities	17,20	–	1,207	3,711	–	–	4,918
Dividends payable	18	–	–	–	–	66,221	66,221
		367,630	1,207	3,711	–	312,349	684,897
Net financial assets (liabilities)		(345,930)	(1,207)	(3,711)	–	(187,449)	(538,297)
Interest rate swaps *		–	25,000	175,000	50,000	–	250,000
Weighted average interest rate							5.3%

* Notional principal amounts

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

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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	3 years
Commercial Bills	Secured	3,000	91 days – Note (iii)
Bank Loan	Secured	23,000	Rolling 7 day term – Note (iii)
Bank overdraft	Secured	2,500	On demand – Note (iii)
Subordinated debentures	Unsecured	45,500	41 years – Note (i)
Convertible debentures	Unsecured	45	36 years – Note (ii)
Swap contracts	Unsecured	265,000	Up to 9 years

Notes:

- (i) The 45,500,000 subordinated debentures of \$1 each fully paid have a base interest rate of 15%. The rate of interest paid will be adjusted to the rate of dividend distribution (grossed up for Australian non- resident interest withholding tax to the extent such dividends are franked) should the dividend distribution amount exceed the base rate in any year. An equivalent amount of interest is also payable in the same proportion to any additional dividend distributions that may be paid from retained earnings. The notes cannot be redeemed until 30 December 2042, except to the extent that convertible debentures have to be converted.

Since inception of the subordinated debentures, The Ten Group Pty Limited, has claimed a tax deduction for the interest paid on the debentures each year. As part of the settlement reached with the Australian Taxation Office during the year, The Ten Group Pty Limited will receive debenture interest tax deductions until 30 June 2004.

- (ii) 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.
- (iii) The Eye Corp Pty Limited consolidated entity has granted a fixed and floating charge over all assets as security for the commercial bills, bank loan and bank overdraft.

Off-balance sheet financial assets and liabilities

Except for the interest rate swap contracts, 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.

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Note	Consolidated		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
32 EMPLOYEE ENTITLEMENTS					
Number of employees					
Number of employees at year end		1,289	1,271	-	-

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 17,855,000. A total of 3,125,000 of these options are exercisable subject to performance hurdles at a price of \$1.92 per share over the following year. A total of 4,475,000 of these options are exercisable subject to performance hurdles at a price of \$2.11 per share over the following three years. A total of 500,000 of these options are exercisable subject to performance hurdles at a price of \$2.09 per share over the following four years. A total of 1,505,000 of these options are exercisable subject to performance hurdles at a price of \$2.41 per share over the next four 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 five 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 ten years. All issued options are also subject to various vesting date arrangements. As of the date of this report, 8,127,000 options may be exercised, due to hurdle and vesting date preconditions having been met. As of the date of this report no options have been converted into shares.

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

The Ten Employee Award Plan

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

The Ten Employee Savings Plan

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

33 RELATED PARTY INFORMATION

Ownership interest in related entities

Controlled entities	11	-	-	69,337	234,282
Associated companies – equity accounted	10,26	2,888	2,384	-	-
– other	11	2,119	2,119	-	-
		5,007	4,503	69,337	234,282

Dividends

Dividends to controlling entities		-	55,424	-	55,424
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Amounts receivable from/(payable to) related entities

Controlled entities					
Receivable	6,9	-	-	327,014	310,800
Payable	19	-	-	(387,553)	(272,292)
		-	-	(60,539)	38,508
Associated companies					
Receivable	6,9	793	683	-	-
Related entities					
Receivable	9	-	665	-	-
Payable	16	(6,825)	(72,835)	(6,825)	(72,835)
Subordinated debentures	20	(45,000)	(45,500)	(45,500)	(45,500)
Convertible debentures	20	(45)	(45)	(45)	(45)
		(51,870)	(117,715)	(52,370)	(118,380)

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

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

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RELATED PARTY INFORMATION CONTINUED

Financial transactions with related entities

Entity's name	Note	Nature of transaction at normal commercial terms
Between controlled entities:		
Network Ten Pty Limited	2	Interest on loans \$26.4m (2001-\$26.4m)
Eye Corp Pty Limited	2	Interest on loans \$3.2m (2001-\$0.8m)
Eye Corp Pty Limited		Purchase of Out-of-Home advertising by Network Ten Pty Limited of \$0.7m (2001- \$nil)
Eye Corp Pty Limited		Rental income charged by Network Ten Pty Limited, Network Ten (Adelaide) Pty Limited and Network Ten (Perth) Pty Limited of \$0.2m (2001- \$nil)
Eye Corp Pty Limited		Loan from The Ten Group Pty Limited of \$46.2m (2001-\$30m)
Network Ten Pty Limited	3	Debt collection fee revenue of \$79.4m (2001- \$nil)
Network Ten (Adelaide) Pty Limited	3	Management fees of \$425.9m (2001-\$296.2m)
Network Ten (Perth) Pty Limited	3	Debt collection fee revenue of \$10.1m (2001- \$nil)
		Management fees of \$29.9m (2001-\$15.9m)
		Debt collection fee revenue of \$13.2m (2001- \$nil)
		Management fees of \$36.2m (2001- \$18.7m)
With related entities:		
CanWest Global Communications Corp. (Group)	3	Interest on subordinated and convertible debentures \$6.8m (2001- \$71.3m)

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 Notes 6 and 9 are secured and mature in two years or on the date of employment termination. No interest is payable on the loans and there have been no repayments in the current period. Loans provided by Directors disclosed in Note 16 have been provided on normal terms and conditions.

Network Agreements

The Company has networking agreements with a number of its controlled entities whereby advertising revenues derived by those controlled entities are assigned to the Company. Revenues assigned by those controlled entities totalled \$513.3m (2001: \$438.9m). Management fees payable by the Company to controlled entities under the agreements totalled \$492.1m (2001: \$330.8m). Debt collection fees are also collected by the Company totalling \$102.7m (2001: \$nil).

Controlling Entities

The ultimate parent entity in the wholly owned group is The Ten Group Pty Limited. The ultimate parent entity is Ten Network Holdings Limited, a company listed on the Australian Stock Exchange, which at 31 August 2002 had a beneficial interest of 83.73% (2001:83.70%) and an economic interest of 41.865% (2001:41.85%).

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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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unsecured guarantees by the parent entity and consolidated entity in respect of leases of controlled entities	39,053	46,419	39,053	46,419
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	1,768	21,072	-	-
	40,821	67,491	39,053	46,419

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

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

35 SEGMENT INFORMATION

Business segments

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

Television

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

Out Of Home

Advertising media outside the home environment.

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.

Primary reporting – business segments

	Television \$'000	Out Of Home \$'000	Ventures \$'000	Eliminations /Unallocated \$'000	Consolidated \$'000
2002					
Revenue					
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	–	1,457
Total revenue	588,796	78,912	142	(838)	667,012
Result					
Segment result before non-recurring items	161,095	(15,036)	142	–	146,201
Non-recurring items	(20,015)	(178,421)	–	–	(198,436)
Segment result	141,080	(193,457)	142	–	(52,235)
Share of associates' profit/(loss)					916
Borrowing costs					(37,355)
Interest revenue					923
Profit (loss) before tax					(87,751)
Income tax expense (includes non-recurring tax settlement expenses of \$36.2m)					(70,530)
Net profit (loss)					(158,281)
Depreciation and amortisation	12,496	16,054	–	–	28,550
Other non-cash expenses	16,522	169,540	–	–	186,062
Assets					
Segment assets	1,451,437	137,366	–	–	1,588,803
Investments in associates	2,119	2,888	–	–	5,007
Consolidated total assets					1,593,810
Liabilities					
Segment liabilities	731,547	69,040	–	–	800,587
Acquisitions of non-current assets	20,509	5,004	–	–	25,513

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

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SEGMENT INFORMATION CONTINUED

2001

Revenue

	Television \$'000	Out Of Home \$'000	Ventures \$'000	Consolidated \$'000
Sales to external customers	501,823	49,359	-	551,182
Inter-segment sales	-	-	-	-
Total sales revenue	501,823	49,359	-	551,182
Other revenue	7,102	49	-	7,151
Non-recurring revenue	105,824	-	-	105,824
Total revenue	614,749	49,408	-	664,157

Result

Segment result before non-recurring items	147,498	(10,562)	(1,858)	135,078
Non-recurring items	65,615	(6,490)	(29,243)	29,882
Segment result	213,113	(17,052)	(31,101)	164,960
Share of associates' profit/(loss)				588
Borrowing costs				(93,263)
Interest revenue				1,354
Profit before tax				73,639
Income tax expense				(23,822)
Net profit				49,817

Depreciation and amortisation	8,800	12,743	-	21,543
Other non-cash expenses	11,189	-	29,243	40,432

Assets

Segment assets	637,116	350,371	457	987,944
Investments in associates	-	2,384	-	2,384
Consolidated total assets				990,328

Liabilities

Segment liabilities	649,477	76,603	27,157	753,237
Acquisitions of non-current assets	18,852	4,405	-	23,257

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

36 NOTES TO THE STATEMENTS OF CASH FLOWS

Reconciliation of (loss)/profit from ordinary activities after income tax to net cash flow from operating activities.

	Consolidated		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Net (loss)/profit from ordinary activities after related tax expense	(158,281)	49,817	(92,554)	101,085
Non-cash revenue	(916)	(4,331)	–	(2,387)
Non-cash expenses	28,550	20,524	–	–
Dividends from associates	280	–	–	–
Profit on sale of non-current assets	(459)	(65,632)	–	(58,626)
Writedown of Out Of Home goodwill and other charges	178,422	–	–	–
Writedown of non-current assets	20,015	29,243	175,058	–
Debenture interest	6,825	71,271	6,825	71,271
Amount (paid)/refunded from provisions	(10,111)	(879)	–	–
Net increase/(decrease) in tax provisions	(17,486)	(31,222)	(26,502)	(22,920)
Net increase/(decrease) in accrued revenue and expense items in payables/(receivables)	(23,747)	(49,446)	(10,657)	21,283
Net cash flow from operating activities	23,092	19,345	52,170	109,706

Non cash financing and investing activities

During the year Ten Network Holdings Limited issued 150,000 shares to Copplemere Pty Limited in consideration for the acquisition by Ten Network Holdings Limited from Copplemere Pty Limited of 150,000 shares in The Ten Group Pty Limited pursuant to the relevant exchange deeds detailed in the Prospectus. This resulted in Ten Network Holdings Limited's issued capital increasing to 380,964,092 shares and the number of shares it owns in The Ten Group Pty Limited increasing to 380,964,092 representing an increase in its voting interest in The Ten Group Pty Limited from 83.723% to 83.728%.

37 DEED OF CROSS GUARANTEE

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

	Consolidated	
	2002 \$'000	2001 \$'000
Abridged Statement of financial performance		
(Loss)/Profit from ordinary activities before income tax	(67,335)	115,910
Income tax expense relating to ordinary activities	(72,247)	(25,422)
(Loss)/Profit from ordinary activities after related income tax expense	(139,582)	90,488
Profit/(loss) from extraordinary items after related income tax expense	–	–
Net profit	(139,582)	90,488
Retained profits at the beginning of year	161,675	137,408
Adjustment to retained profits at beginning of year on initial adoption of AASB 1041 Revaluations of Non-Current Assets	–	–
Reduction in retained profits on share buy-back	–	–
Aggregate of amounts transferred from reserves	–	–
	22,093	227,896
Dividends provided or paid	–	66,221
Retained earnings at end of year	22,093	161,675

NOTES TO THE FINANCIAL STATEMENTS

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Consolidated	
	2002	2001
	\$'000	\$'000
37 DEED OF CROSS GUARANTEE CONTINUED		
Statement of financial position		
Cash assets	11,799	17,606
Receivables	147,241	116,139
Inventories	126,503	109,106
Current tax receivable	65,542	13,139
Other	3,883	3,909
Total current assets	354,968	259,899
Receivables	30,517	31,619
Inventories	1,565	1,590
Investments accounted for using the equity method	–	–
Other financial assets	27,528	208,587
Property, plant and equipment	62,698	53,098
Intangibles	1,077,823	326,422
Deferred tax assets	–	–
Other	–	3,522
Total non-current assets	1,200,131	624,838
Total assets	1,555,099	884,737
Payables	143,137	205,588
Interest-bearing liabilities	–	–
Current tax liabilities	–	–
Provisions	24,155	100,317
Total current liabilities	167,292	305,905
Payables	28,326	19,977
Interest-bearing liabilities	505,545	340,545
Deferred tax liabilities	32,042	8,456
Provisions	1,971	1,749
Total non-current liabilities	567,884	370,727
Total liabilities	735,176	676,632
Net assets	819,923	208,105
Contributed equity	45,500	45,500
Reserves	752,330	930
Retained earnings	22,093	161,675
Total Equity	819,923	208,105

NOTES TO THE FINANCIAL STATEMENTSTHE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES **FOR THE YEAR ENDED 31 AUGUST 2002****38 DIVIDENDS**

Dividends proposed or paid by the Company are:

	Cents per share	Total amount \$'000	Date of Payment	Tax rate for franking credit	Percentage franked
2002					
Final – ordinary dividend proposed	–	–	n/a	n/a	n/a
Final – ordinary dividend paid	14.2	66,221	20 December 2001	30%	100%
2001					
Final – ordinary dividend proposed	14.2	66,221	20 December 2001	30%	100%
Final – ordinary dividend paid	16.2	73,797	20 December 2000	34	100%

Dividend franking account

	The Company	
	2002 \$'000	2001 \$'000
Franking credits (30%) available for the subsequent financial year	37,488	8,970

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.

Legislation took effect on 1 July 2002, under which the amount recorded in the franking account is the amount of income tax paid rather than franking credits based on after tax profits. Amounts debited to the franking account in respect of dividends paid after 30 June 2002 will be the franking credits attaching to those dividends rather than the gross amount of the dividends. In accordance with this legislation, the franking account balances as at 30 June 2002 have been converted so that the franking account reflects from 1 July 2002 tax paid amounts rather than franking credits based on after tax profits.

39 SUBSEQUENT EVENTS

At the date of this report, no matters or circumstances have arisen since balance date that has significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2002 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 2002 of the consolidated entity.

DIRECTORS' DECLARATION

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002


The Directors declare that the financial statements and notes set out on pages 4 to 30:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 31 August 2002 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 in Sydney on 10 October 2002 in accordance with a resolution of the Directors.



NG Falloon

CHAIRMAN

INDEPENDENT AUDITORS' REPORT

THE TEN GROUP PTY LIMITED AND CONTROLLED ENTITIES

TO THE MEMBERS OF THE TEN GROUP PTY LIMITED

Audit opinion

In our opinion, the financial report, set out on pages 4 to 31:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of The Ten Group Pty Limited and the The Ten Consolidated Group (defined below) as at 31 August 2002 and of their performance for the year ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the year ended 31 August 2002 is the responsibility of the Directors of The Ten Group Pty Limited. It includes the financial statements for The Ten Group Pty Limited (the Company) and for the The Ten Consolidated Group (the Group), which incorporates The Ten Group Pty Limited and the entities it controlled during the year ended 31 August 2002.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve any analysis of the prudence of business decisions made by the Directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Company's and the Group's financial position, and their performance as represented by the results of their operations and cash flows.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the Directors in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.


Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Group. These services are disclosed in note 28 to the financial statements. In our opinion the provision of these services has not impaired our independence.



PRICEWATERHOUSECOOPERS



S MCCLINTOCK

PARTNER



SJ BOSILJEVAC

PARTNER

SYDNEY, 10 OCTOBER 2002



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