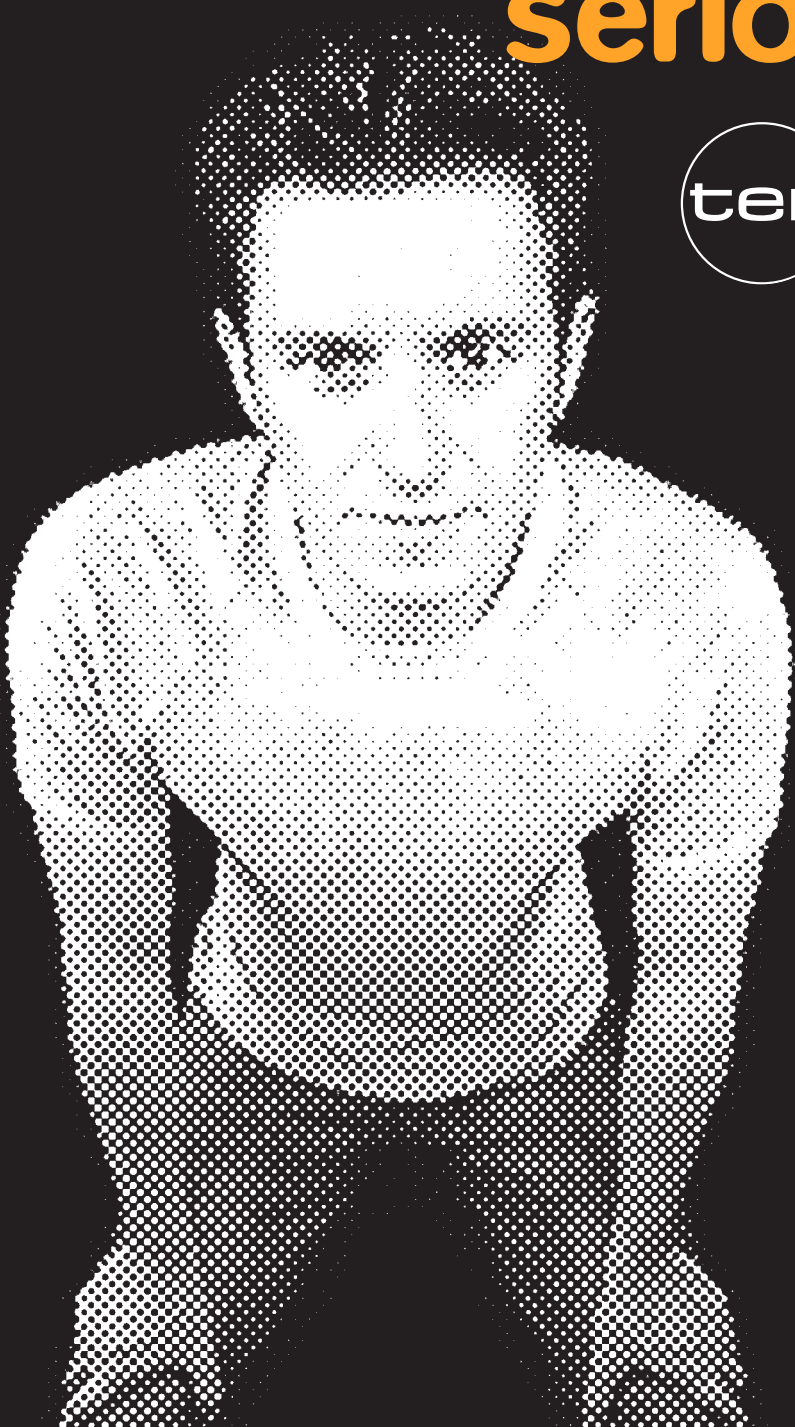


TEN NETWORK HOLDINGS LIMITED ACN 081 327 068
FINANCIAL REPORT for the year ended 31 August 2002

seriously



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DIRECTORS' REPORT

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

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 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 (Alternate Mr JJ Cowin and Mr AJ Peschar^B)
 Mr JJ Cowin (Alternate Mr JB Studdy)
 Mr LS Freedman (Alternate Mr BG Sechos)
 Mr PV Gleeson
 Mr PPA Harris
 Ms IYL Lee
 Mr GH Levy
 Mr R Magid
 Mr AJ Peschar^B
 Mr BM Sherman (Alternate Mr BG Sechos)
 Mr PD Viner (Alternates Mr L Asper and Mr T Strike)

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

^B Mr AJ Peschar resigned as Director on 13 February 2002 and was appointed as alternate Director for Mr JB Studdy on 13 February 2002. Mr BG Sechos ceased as alternate Director for Mr AJ Peschar on 13 February 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 (loss)/profit after income tax for the year ended 31 August comprises:

	2002 \$'000	2001 \$'000
Earnings before interest, taxes and non-recurring items	143,735	132,183
Non-recurring items	(198,436)	(3,188)
Earnings before interest and taxes	(54,701)	128,995
Subordinated debenture interest	6,825	71,271
Net interest expense – other	27,293	18,006
(Loss)/profit from ordinary activities before income tax expense	(88,819)	39,718
Income tax expense		
Recurring	34,353	23,761
Non-recurring tax settlement expenses	36,158	–
Net (loss)/profit from ordinary activities after income tax expense	(159,330)	15,957
Net loss attributable to outside equity interests	50,698	1,829
Net (loss)/profit attributable to members of Ten Network Holdings Limited	(108,632)	17,786

DIVIDENDS

Since the end of the previous financial year a fully franked ordinary dividend of 14.35 cents per share and in total \$54,646,822 was paid on 2 January 2002 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 Ten Group Pty Limited ("TEN"), a controlled entity, acquired the remaining 40% of Eye Corp Pty Limited's share capital for \$10m. TEN now owns 100% of Eye Corp Pty Limited.

(b) Write down 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.

DIRECTORS' REPORT

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS CONTINUED**(c) Tax matters**

On 30 August 2002 TEN 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 have 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.

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	Appointed 13 February 2002	–	7,500,000
JB Studdy AM, BEc, FCA	Non Executive Director	Continuing	50,000	–
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 Chairman of Audit Committee	Continuing Continuing	14,607,804	–
PPA Harris MA, ASIA	Non Executive Director	Continuing	15,428	–
IYL Lee BA, Barrister at Law	Non Executive Director	Continuing	10,000	–
GH Levy BComm, LLB, ASIA	Non Executive Director Member of Audit Committee	Continuing Continuing	33,000	–
R Magid BSc, BA(Maths), MA(Econ)	Non Executive Director	Continuing	150,000	–
AJ Peschar	Non Executive Director	Resigned 13 February 2002	–	–
BM Sherman BComm, CTA, SIA (Aff)	Non Executive Director	Continuing	39,800,972	–
PD Viner	Non Executive Director	Continuing	–	–

DIRECTORS' REPORT

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

DIRECTORS' MEETINGS

Director's Name, Alternate name (if applicable)	Date appointed	Date resigned	No. of meetings of Directors held/attended		Number of meetings of committees held/attended	
JJ Cowin	03/04/98	Continuing	6	4	–	–
NG Falloon	13/02/02	Continuing	3	3	3	3
LS Freedman	16/02/98	Continuing	6	5	–	–
PV Gleeson	16/02/98	Continuing	6	6	4	4
PPA Harris	16/02/98	Continuing	6	6	–	–
IYL Lee	13/10/00	Continuing	6	6	–	–
GH Levy	03/04/98	Continuing	6	4	4	4
R Magid	03/04/98	Continuing	6	5	–	–
AJ Peschar	16/02/98	13/02/02	3	3	–	–
BM Sherman	16/02/98	Continuing	6	5	–	–
JB Studdy	04/06/98	Continuing	6	6	1	–
PV Gleeson	12/10/01	Continuing	–	–	–	1
PD Viner	03/04/98	Continuing	6	4	–	–
TC Strike	11/08/00	Continuing	–	1	–	–

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:

	2002 \$'000	The Company	2001 \$'000
Ten Network Holdings Limited Ordinary Shares	55,647,550		55,778,223

DIRECTORS' AND OFFICERS' EMOLUMENTS

The Remuneration Committee of The Ten Group Pty Limited ("TEN"), 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 Ten Network Holdings Limited 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 TEN's Constitution, the maximum amount payable to the non-executive 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 TEN also applied under the terms of the TEN 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 following table discloses all amounts paid by all entities within the consolidated entity for services provided to each of those entities. The amounts paid by Ten Network Holdings Limited, being the parent entity, by way of remuneration totalled \$538,615.

DIRECTORS' REPORT

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

EXECUTIVE DIRECTOR OF TEN NETWORK HOLDINGS LIMITED

Name	Base salary \$	Motor Vehicle \$	Bonus/ Incentive \$	Superannuation \$	Consolidated Total \$
NG Falloon, Chairman	880,002	39,505	400,000	5,534	1,325,041

NON-EXECUTIVE DIRECTORS OF TEN NETWORK HOLDINGS LIMITED

Name	Directors' Base Fee/Salary \$	Termination \$	Committee Fees \$	Superannuation \$	Consolidated Total \$
JB Studdy	122,980	514,975*	–	–	637,955
JJ Cowin	58,225	–	4,500	5,260	67,985
LS Freedman	58,225	–	6,500	5,440	70,165
PV Gleeson	60,485	–	4,000	5,418	69,903
PPA Harris	58,225	–	–	4,855	63,080
IYL Lee	58,225	–	1,249	4,967	64,441
GH Levy	58,225	–	4,000	5,215	67,440
R Magid	58,225	–	–	4,855	63,080
AJ Peschar	50,000	–	–	–	50,000
BM Sherman	58,225	–	–	4,855	63,080
PD Viner	94,055	–	6,314	–	100,369
TC Strike	17,918	–	10,500	–	28,418
LJ Asper	36,789	–	–	–	36,789
BG Sechos	–	–	2,937	264	3,201

* Mr JB Studdy retired as Chairman of The Ten Group Pty Limited on 13 February 2002. The termination payment made to him was in respect of his retirement as Chairman under the terms of his agreement with that company dated 15 February 1998.

OTHER EXECUTIVES OF THE CONSOLIDATED ENTITY

Name	Base Salary \$	Motor Vehicle \$	Bonus/Incentive (iii) \$	Superannuation \$	Total \$
J McAlpine (i) Chief Executive Officer – Television	991,233	–	187,200	8,767	1,187,200
G Thorley (ii) Chief Executive Officer – Out of Home	443,522	62,251	101,444	8,767	615,984
G Blackley (i) General Manager Network Sales	377,144	21,261	126,475	28,902	553,782
D Mott (i) General Manager Network Programming	361,422	44,765	116,814	8,767	531,768
P Myers (i) General Manager Corporate Development	381,338	47,120	53,000	8,767	490,225

(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 2001 and relates to performance in the 2001 financial year.

SHARE OPTIONS GRANTED TO DIRECTORS AND MOST HIGHLY REMUNERATED OFFICERS

Options over unissued ordinary shares of Ten Network Holdings Limited granted during or since the end of the financial year to any of the Directors or the five most highly remunerated officers of the Company and consolidated entity as part of their remuneration were as follows:

Name	Number of Options granted
Executive Director	
NG Falloon	7,500,000

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 of Shares	Expiry Date
The Ten Executive Option Plan	3,125,000	\$1.92	12 August 2003
	4,475,000	\$2.11	24 November 2003
	500,000	\$2.09	9 February 2005
	1,505,000	\$2.41	15 March 2005
	750,000	\$2.25	22 December 2005
	7,500,000	\$1.90	21 December 2011

DIRECTORS' REPORTTEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES **FOR THE YEAR ENDED 31 AUGUST 2002****SHARES ISSUED ON THE EXERCISE OF OPTIONS**

No shares were issued during the year ended 31 August 2002 on the exercise of options granted under the Ten Executive Option Plan.

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 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 98/0100 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

TEN NETWORK HOLDINGS 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	667,129	664,551	118	55,818
Television costs		(446,110)	(434,131)	–	–
Out Of Home costs		(272,214)	(65,683)	–	–
Ventures costs		–	(31,099)	–	–
Corporate costs		(1,185)	(1,245)	(1,185)	(1,245)
Borrowing costs	3(b)	(37,355)	(93,263)	–	–
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		(88,819)	39,718	(1,067)	54,573
Income tax (expense)/benefit	4(a)	(70,511)	(23,761)	18	60
Net (loss)/profit from ordinary activities after income tax expense		(159,330)	15,957	(1,049)	54,633
Net loss attributable to outside equity interests		50,698	1,829	–	–
Net (loss)/profit attributable to members of the Company	24	(108,632)	17,786	(1,049)	54,633
Net exchange difference on translation of financial report of foreign controlled entities		78	15	–	–
Total changes in equity from non-owner related transactions attributable to the members of the Company		(108,554)	17,801	(1,049)	54,633

EARNINGS PER SHARE

		2002 Cents	2001 Cents
Shareholding earnings per share	27	(28.53)	4.67
Economic earnings per share	27	(13.41)	5.89
Diluted earnings per share	27	(13.63)	3.44

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

STATEMENTS OF FINANCIAL POSITION

TEN NETWORK HOLDINGS 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	12,885	21,952	1,086	184
Receivables	6	116,123	103,251	–	55,424
Inventories	7	127,638	110,669	–	–
Current tax receivables	4(b)	63,716	11,234	–	–
Other	8	12,063	7,562	34	31
Total Current Assets		332,425	254,668	1,120	55,639
NON-CURRENT ASSETS					
Receivables	9	2,116	3,984	–	–
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	824,576	824,260
Property, plant and equipment	13	84,264	75,314	–	–
Intangibles	14	1,159,707	1,376,055	–	–
Deferred tax assets	4(c)	8,325	2,708	55	35
Other	15	626	5,009	–	–
Total Non-Current Assets		1,262,044	1,486,094	824,631	824,295
Total Assets		1,594,469	1,740,762	825,751	879,934
CURRENT LIABILITIES					
Payables	16	160,142	225,724	185	128
Interest-bearing liabilities	17	29,247	28,292	–	–
Current tax liabilities	4(b)	–	–	–	–
Provisions	18	40,737	122,162	–	54,647
Total Current Liabilities		230,126	376,178	185	54,775
NON-CURRENT LIABILITIES					
Payables	19	28,442	20,649	18,238	17,100
Interest-bearing liabilities	20	510,111	344,256	–	–
Deferred tax liabilities	4(d)	32,042	8,421	–	–
Provisions	21	1,971	3,165	–	–
Total Non-Current Liabilities		572,566	376,491	18,238	17,100
Total Liabilities		802,692	752,669	18,423	71,875
Net Assets		791,777	988,093	807,328	808,059
EQUITY					
Contributed equity	22	808,376	808,058	808,376	808,058
Reserves	23	(63)	15	–	–
Retained earnings	24	(145,461)	(36,829)	(1,048)	1
Total parent entity interest		662,852	771,244	807,328	808,059
Outside equity interests in controlled entities	32	128,925	216,849	–	–
Total Equity		791,777	988,093	807,328	808,059

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

STATEMENTS OF CASH FLOWS

TEN NETWORK HOLDINGS 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	12,820	21,883	1,086	184
Bank overdraft	17	(1,791)	(1,084)	–	–
At end of year		11,094	20,868	1,086	184
At commencement of year		20,868	38,562	184	254
Net cash (outflow)/inflow for the year		(9,774)	(17,694)	902	(70)
Represented by:					
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		745,199	610,974	–	–
Payments to suppliers and employees		(610,997)	(523,486)	(1,131)	(1,113)
Dividends received		346	1,959	55,424	61,764
Interest received		1,050	1,810	118	386
Interest paid		(25,503)	(18,897)	–	–
Income tax paid					
General		(51,858)	(55,043)	–	–
Tax settlement		(36,158)	–	–	–
Net cash flow from operating activities	38	22,079	17,317	54,411	61,037
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid		(65,443)	(72,505)	(54,647)	(60,473)
Debenture interest paid		(66,221)	(73,797)	–	–
Debenture interest – withholding tax		(6,622)	(7,380)	–	–
Amounts paid re: Tax Dispute*		(16,972)	–	–	–
Bank loan					
Drawdown		538,000	526,435	–	–
Repayment		(372,359)	(282,804)	–	–
Net cash flow financing activities		10,383	89,949	(54,647)	(60,473)
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	–	–
Sale of equity investments		142	91,682	–	–
Purchases of controlled entities (net of cash acquired)	25(b)	(10,000)	(184,711)	–	–
Payment for Out of Home investments and site acquisitions		(6,361)	–	–	–
Purchases of intangible licence rights		–	(1,000)	–	–
Advances/(repayments) from/(to):					
Controlled entities		–	–	1,138	(634)
Associated companies and joint ventures		11	(12,173)	–	–
Directors of controlled entities		(1,017)	1,017	–	–
Other related parties		–	(7,100)	–	–
Other		153	(2,837)	–	–
Net cash flow from investment activities		(42,236)	(124,960)	1,138	(634)
Net cash (outflow)/inflow for the year		(9,774)	(17,694)	902	(70)

*: 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

TEN NETWORK HOLDINGS 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. 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 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 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 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.

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:

	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 STATEMENTS

TEN NETWORK HOLDINGS 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 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

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.

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(l) Intercompany Loans

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

(m) Cash

For purposes of the 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

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.

(s) Earnings Per Share

(i) Shareholding Earnings per Share

Shareholding earnings per share is determined by dividing the profit from ordinary activities 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.

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS 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	551,182	–	–
Revenue from Outside the Operating Activities					
Dividends					
Controlled entity	35	–	–	–	55,424
Other		66	5,702	–	–
Interest					
Other		1,040	1,740	118	394
Gross proceeds on sale of listed investments		142	92,645	–	–
Gross proceeds on sale of property, plant and equipment		326	13,282	–	–
Total Revenue from Ordinary Activities		667,129	664,551	118	55,818
3 (LOSS)/PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE					
(a) Non-recurring items included in (loss)/profit from ordinary activities before income tax expense					
Write down of goodwill and other charges		(178,421)	(3,711)	–	–
Profit on sale of listed investments		–	38,290	–	–
Profit on sale of land and buildings		–	5,444	–	–
Write off of capitalised digital costs		(3,493)	–	–	–
Write down of unlisted online investments		–	(26,877)	–	–
Write down of listed investments		(16,522)	(13,555)	–	–
Restructure and relocation costs		–	(2,779)	–	–
		(198,436)	(3,188)	–	–
(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)	–	–	–
Net foreign currency losses – realised		27	–	–	–
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	35	6,825	71,271	–	–
Other		30,530	21,992	–	–
		37,355	93,263	–	–
Depreciation and amortisation of property, plant and 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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Note	Consolidated		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'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		(88,819)	39,718	(1,067)	54,573
Prima facie tax payable		(26,646)	14,092	(320)	16,344
Increase in income tax expense is due to:					
Non-recurring tax settlement expenses		36,158	-	-	-
Non deductible expenditure					
Crystallisation of fair value adjustments		-	9,929	-	-
Amortisation		3,226	3,248	-	-
Writedown of goodwill		51,735	-	-	-
Writedown of listed investments		4,957	710	-	-
Other		1,658	1,091	302	-
Prior year adjustments		-	553	-	-
Decrease in income tax expense is due to:					
Non assessable income		-	-	-	-
Prior year adjustments		(557)	-	-	-
Dividend rebate		(20)	(1,478)	-	(16,404)
Benefit of tax losses of prior years recouped		-	(1,421)	-	-
Tax rate change		-	(2,963)	-	-
Income tax expense		70,511	23,761	(18)	(60)
Income tax expense comprises:					
Non-recurring tax settlement expenses		36,158	-	-	-
Provision for tax		16,745	(1,229)	-	-
Movement in deferred tax balances		18,005	24,876	(20)	(60)
Prior year underprovision		(397)	114	2	-
		70,511	23,761	(18)	(60)
(b) Current tax (receivables)/liabilities					
Provision for income tax		(63,716)	(11,234)	-	-
(c) Deferred tax assets					
Future income tax benefit		8,325	2,708	55	35
(d) Deferred tax liabilities					
Provision for deferred income tax		32,042	8,421	-	-
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

TEN NETWORK HOLDINGS 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		12,820	21,883	1,086	184
	33	12,885	21,952	1,086	184
6 RECEIVABLES (CURRENT)					
Trade debtors		127,425	112,602	-	-
Provisions for doubtful debts and advertising credits		(11,677)	(10,032)	-	-
		115,748	102,570	-	-
Dividend Receivable		-	-	-	55,424
Loans and advances					
Associated companies	35	2	2	-	-
Directors of controlled entities	35	-	17	-	-
Other		373	662	-	-
		375	681	-	-
	33	116,123	103,251	-	55,424
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		12,063	6,048	34	31
Capitalised costs		-	1,514	-	-
		12,063	7,562	34	31
9 RECEIVABLES (NON-CURRENT)					
Other receivables		-	81	-	-
Loans and advances					
Associated companies	35	791	681	-	-
Directors of controlled entities	35	350	350	-	-
Other		975	2,872	-	-
	33	2,116	3,984	-	-
10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Associates	26,35	2,888	2,384	-	-

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS 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		27,711	30,077	–	–
Provision for diminution		(27,711)	(13,555)	–	–
		–	16,522	–	–
Investments in unlisted securities					
Controlled entities	35	–	–	824,576	824,260
Associated companies	35	2,119	2,119	–	–
Other		434	409	–	–
		2,553	19,050	824,576	824,260
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		8,285	7,839	–	–
Accumulated depreciation		(1,086)	(833)	–	–
		7,199	7,006	–	–
Leasehold improvements					
At cost		3,199	1,365	–	–
Accumulated amortisation		(334)	(173)	–	–
		2,865	1,192	–	–
Plant and equipment					
At cost		99,857	77,941	–	–
Accumulated depreciation		(35,451)	(20,683)	–	–
		64,406	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		84,264	75,314	–	–

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS 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	7,006	–		
Additions	446	–		
Depreciation	(253)	–		
Balance at end of year	7,199	–		
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	23,154	–		
Disposals	(284)	–		
Depreciation	(15,722)	–		
Balance at end of year	64,406	–		
Leased plant and equipment				
Balance at beginning of year	4,723	–		
Amortisation	(117)	–		
Balance at end of year	4,606	–		
	Consolidated	The Company		
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
14 INTANGIBLES				
Television licences – cost	1,077,822	1,077,822	–	–
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	1,376,055	–	–
15 OTHER ASSETS (NON-CURRENT)				
Capitalised costs	–	3,522	–	–
Other	626	1,487	–	–
	626	5,009	–	–

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS 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		145,614	144,101	185	128
Unearned income		4,135	3,853	-	-
Loans					
Directors of controlled entities	35	-	1,034	-	-
Other		-	2,750	-	-
Accrued interest					
Related entity	35	6,825	72,835	-	-
Other		3,568	1,151	-	-
	33	160,142	225,724	185	128
17 INTEREST-BEARING LIABILITIES (CURRENT)					
Bank loan	33	23,000	1,436	-	-
Bank overdraft	33	1,791	1,084	-	-
Commercial bills	33	3,000	24,565	-	-
Lease liabilities	31,33	987	1,207	-	-
Other loans	33	469	-	-	-
		29,247	28,292	-	-
18 PROVISIONS (CURRENT)					
Dividend	33,40	-	65,443	-	54,647
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	122,162	-	54,647
19 PAYABLES (NON-CURRENT)					
Trade creditors		28,061	20,192	-	-
Loans					
Related entities	35	381	-	-	-
Other		-	457	-	-
Other creditors and accruals					
Controlled entity	35	-	-	18,238	17,100
	33	28,442	20,649	18,238	17,100
20 INTEREST-BEARING LIABILITIES (NON-CURRENT)					
Bank loan	33	460,000	295,000	-	-
Debentures					
Subordinated	33,35	45,500	45,500	-	-
Convertible	33,35	45	45	-	-
Lease liabilities	31,33	4,566	3,711	-	-
		510,111	344,256	-	-

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS 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	–	–
	1,971	3,165	–	–

22 CONTRIBUTED EQUITY

(a) Paid up capital				
380,964,092 ordinary shares fully paid (2001: 380,814,092)	808,376	808,058	808,376	808,058

(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
31.08.01	Balance 31 August 2001		380,814,092		808,058
01.08.02	Copplemere Exchange	(c)	150,000	2.122	318
31.08.02	Balance 31 August 2002		380,964,092		808,376

(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 had similar rights to have allotted to them 5,785,918 ordinary shares.

The shares issued to the CanWest Group under the exchange deeds would represent 57.5% of the issued capital of the Company on a fully diluted basis, excluding any shares issued pursuant to employee options.

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.

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 17,855,000 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 3,125,000 of these options are exercisable subject to performance hurdles at a price of \$1.92 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 over the next two years. A total of 500,000 of these options are exercisable subject to performance hurdles at a price of \$2.09 over the following three years. A total of 1,505,000 of these options are exercisable subject to performance hurdles at a price of \$2.41 over the next three 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 four 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Consolidated		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
23 RESERVES				
Foreign currency translation	(63)	15	–	–
Movements during the year				
Foreign currency translation				
Balance at beginning of year	15	–	–	–
Net translation adjustment	(78)	15	–	–
Balance at end of year	(63)	15	–	–
Nature and purpose of reserves				
Foreign currency translation				
The foreign currency translation reserve records the foreign currency differences arising from the translation of self-sustaining foreign operations, as disclosed in accounting policy note 1(r).				
24 RETAINED EARNINGS				
Retained earnings at beginning of year	(36,829)	32	1	15
Net (loss)/profit attributable to members of Ten Network Holdings Limited	(108,632)	17,786	(1,049)	54,633
Dividends proposed	–	(54,647)	–	(54,647)
Retained earnings at end of year	(145,461)	(36,829)	(1,048)	1

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

25 CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

Parent entity

Ten Network Holdings Limited

Controlled entities

	Ordinary Share Consolidated Entity Interest	
	2002 %	2001 %
Telecasters North Queensland Pty Limited	100.0	100.0
Selli Pty Limited	100.0	100.0
The Ten Group Pty Limited	83.7	83.7
Ten Pay TV Pty Limited (i)	83.7	83.7
Network Ten Pty Limited (i)	83.7	83.7
Network Ten (Sydney) Pty Limited (i)	83.7	83.7
Network Ten (Melbourne) Pty Limited (i)	83.7	83.7
Network Ten (Brisbane) Pty Limited (i)	83.7	83.7
Television & Telecasters (Properties) Pty Limited (i)	83.7	83.7
Network Ten Nominees Pty Limited	83.7	83.7
Caprice Pty Limited (i)	83.7	83.7
Network Ten (Adelaide) Pty Limited (i)	83.7	83.7
Chartreuse Pty Limited (i)	83.7	83.7
Network Ten (Perth) Pty Limited (i)	83.7	83.7
Ten Ventures Pty Limited	83.7	83.7
Ten Online Pty Limited	83.7	83.7
Eye Corp Pty Limited	83.7	50.2
Eye Corp Australia Pty Limited (ii)	83.7	50.2
Eye Fly (Sydney) Pty Limited (ii)	83.7	50.2
Eye Drive Sydney No. 2 Pty Limited (ii)*	83.7	50.2
Pimington Pty Limited (ii)*	83.7	50.2
Olympic Murals 2000 Pty Limited (ii)*	83.7	50.2
Boyd Outdoor Advertising Pty Limited (ii)*	83.7	50.2
Eye Digital Pty Limited (ii)	83.7	50.2
NLD Pty Limited (ii)	83.7	50.2
Australian Airport Advertising Pty Limited (ii)	83.7	50.2
Eye Corp Airport Advertising Pty Limited (ii)	83.7	50.2
Eye Drive Sydney Pty Limited (ii)	83.7	50.2
Eye Mall Media Pty Limited (ii)	83.7	50.2
Eye Outdoor Pty Limited (ii)	83.7	50.2
Eye Corp Asia Limited	83.7	50.2
Eyecorp Limited	83.7	50.2
PT Netra Estha Muda	79.5	47.7
PT Agung Bali	55.7	33.4
PT Eye Corp (iii)	–	–
Eye Corp Media Pty Limited (ii)	83.7	50.2
Adval Holdings Pty Limited (ii)	83.7	50.2
Adval Australia Pty Limited (ii)	83.7	50.2

(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.

*: 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).

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS 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, a controlled entity, 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 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Consideration	10,000	189,946	–	–
Cash acquired	–	(5,235)	–	–
Outflow of cash	10,000	184,711	–	–

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 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Consolidated		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'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	(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 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 increment in associates' reserve	(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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Consolidated 2002 Cents	Consolidated 2001 Cents
27 EARNINGS PER SHARE		
Shareholding earnings per share	(28.53)	4.67
Economic earnings per share	(13.41)	5.89
Fully diluted earnings per share	(13.63)	3.44
Weighted average number of ordinary shares outstanding during the year used in the calculation of shareholding earnings per share	380,826,221	380,814,092

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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'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.

	4,215	1,808	2,711	837
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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	1	3
20	– 30	1	–
30	– 40	1	–
50	– 60	1	3
60	– 70	7	7
70	– 80	1	–
100	– 110	1	–
210	– 220	–	1
630	– 640	1	–
1,320	– 1,330	1	–

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

29 REMUNERATION OF EXECUTIVES

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 Consolidated Entity		Executive Officers of The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Executive officers of the Company	–	–	–	–
Executive officers of other entities in the consolidated entity	8,798	8,251	–	–
	8,798	8,251	–	–

A summary of the numbers of options granted to and exercised by executive officers (with income of at least \$100,000) during the period ended 31 August 2002 is set out below. The terms and conditions relating to the options are set out in Note 22.

	Granted	Exercised	Outstanding
Executive officers of the Company	–	–	–
Executive officers of other entities in the consolidated entity	7,500,000	–	7,500,000
	7,500,000	–	7,500,000

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	\$'000	Executive Officers of the Consolidated Entity		Executive Officers of The Company	
		2002	2001	2002	2001
100 – 110	–	1	1	–	–
110 – 120	–	1	1	–	–
120 – 130	–	1	3	–	–
130 – 140	–	3	1	–	–
150 – 160	–	2	1	–	–
160 – 170	–	2	2	–	–
170 – 180	–	2	1	–	–
190 – 200	–	1	–	–	–
200 – 210	–	1	–	–	–
220 – 230	–	2	1	–	–
230 – 240	–	–	2	–	–
260 – 270	–	1	–	–	–
280 – 290	–	1	–	–	–
290 – 300	–	2	2	–	–
300 – 310	–	2	3	–	–
310 – 320	–	–	1	–	–
320 – 330	–	1	–	–	–
330 – 340	–	–	1	–	–
340 – 350	–	1	–	–	–
400 – 410	–	1	–	–	–
410 – 420	–	–	1	–	–
420 – 430	–	–	1	–	–
490 – 500	–	1	–	–	–
520 – 530	–	–	1	–	–
530 – 540	–	1	–	–	–
550 – 560	–	1	–	–	–
610 – 620	–	1	–	–	–
710 – 720	–	–	1	–	–
780 – 790	–	–	1	–	–
1,160 – 1,170	–	–	1	–	–
1,180 – 1,190	–	1	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Consolidated		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
30 AUDITORS' REMUNERATION				
Audit and other assurance services:				
Auditors of the Company – PwC				
– Audit or review of financial reports	478	309	44	43
– Other audit related work	98	40	–	–
– Other assurance services	292	576	–	–
	868	925	44	43
Other services:				
Auditors of the Company – PwC				
– Advisory services	23	80	–	–
– Taxation	745	508	–	–
	768	588	–	–
	1,636	1,513	44	43

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

		Consolidated		The Company	
	Note	2002	2001	2002	2001
		\$'000	\$'000	\$'000	\$'000

31 COMMITMENTS**(a) Capital expenditure commitments**

Amounts contracted but not provided for:

No later than one year	4,166	6,993	–	–
Later than one year and not later than five years	–	820	–	–
	4,166	7,813	–	–

(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	–	–

(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	–	–

(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	–	–
Less: Total future finance charges	396	116	–	–
	5,553	4,918	–	–

Represented by:

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Consolidated	
	2002	2001
	\$000	\$000
32 OUTSIDE EQUITY INTERESTS		
Outside equity interests in controlled entities comprise:		
Interest in share capital	7,508	80,341
Interest in reserves	122,333	122,584
Interest in retained earnings at the end of the financial year	(916)	13,924
Total outside equity interests	128,925	216,849

33 FINANCIAL INSTRUMENTS

		Fixed interest maturing in:						
	Note	Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000	
2002 – Consolidated								
Financial assets								
Cash	5	12,820	–	–	–	65	12,885	
Receivables	6,9	–	–	–	–	118,239	118,239	
Investments	11	–	–	–	–	434	434	
		12,820	–	–	–	118,738	131,558	
Financial liabilities								
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%
2001 – Consolidated								
Financial assets								
Cash	5	21,883	–	–	–	69	21,952	
Receivables	6,9	–	–	–	–	107,235	107,235	
Investments	11	–	–	–	–	16,931	16,931	
		21,883	–	–	–	124,235	146,118	
Financial liabilities								
Payables	16,19	–	–	–	–	246,373	246,373	
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	–	–	–	–	65,443	65,443	
		367,630	1,207	3,711	–	311,816	684,364	
Net financial assets (liabilities)		(345,747)	(1,207)	(3,711)	–	(187,581)	(538,246)	
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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

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	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, 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 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, the 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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Consolidated		The Company	
	2002	2001	2002	2001
34 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 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.

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

35 RELATED PARTY INFORMATION

	Note	Consolidated		The Company	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Ownership interest in related entities					
Controlled entities	11	–	–	824,576	824,260
Associated companies – equity accounted	10,26	2,888	2,384	–	–
– other	11	2,119	2,119	–	–
		5,007	4,503	824,576	824,260

Dividends

Dividends from controlled entities	2	–	–	–	55,424
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Amounts receivable from/(payable to) related entities

Controlled entities					
Payable	19	–	–	(18,238)	(17,100)
Associated companies					
Receivable	6,9	793	683	–	–
Related entities					
Payable	16	(6,825)	(72,835)	–	–
Subordinated debentures	20	(45,500)	(45,500)	–	–
Convertible debentures	20	(45)	(45)	–	–
Other	19	(381)	–	–	–
		(52,751)	(118,380)	–	–

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

Financial transactions with related entities

Entity's name	Note	Nature of transaction at normal commercial terms	Amount \$'000
With related entities:			
CanWest Global Communications Corp. (Group)	3	Interest on subordinated and convertible debentures	6,825
Eye Corp Pty Limited		Loan from The Ten Group Pty Limited (Non-Current)	46,214
Eye Corp Pty Limited		Interest charged on the above loan	3,196
Eye Corp Pty Limited		Purchase of Out-of-Home advertising by Network Ten Pty Limited	667
Eye Corp Pty Limited		Rental income charged by Network Ten Pty Limited, Network Ten (Adelaide) Pty Limited and Network Ten (Perth) Pty Limited	171

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 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.

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

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	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Unsecured guarantees by a controlled entity and consolidated entity in respect of leases of controlled entities in the group	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	–	–

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.

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

37 SEGMENT INFORMATION CONTINUED

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	117	1,574
Total revenue	588,796	78,912	142	(721)	667,129
Result					
Segment result before non-recurring items	161,095	(15,036)	142	(1,185)	145,016
Non-recurring items	(20,015)	(178,421)	–	–	(198,436)
Segment result	141,080	(193,457)	142	(1,185)	(53,420)
Share of associates' profit/(loss)					916
Borrowing costs					(37,355)
Interest revenue					1,040
Profit (loss) before tax					(88,819)
Income tax expense (includes non-recurring tax settlement expense of \$36.2m)					(70,511)
Net profit (loss)					(159,330)
Depreciation and amortisation	12,496	16,054	–	–	28,550
Other non-cash expenses	16,522	169,540	–	–	186,062
Assets					
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
Liabilities					
Segment liabilities	733,467	69,040	–	185	802,692
Acquisitions of non-current assets	20,509	5,004	–	–	25,513

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

	Television \$'000	Out Of Home \$'000	Ventures \$'000	Eliminations /Unallocated \$'000	Consolidated \$'000
37 SEGMENT INFORMATION CONTINUED					
2001					
Revenue					
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	–	394	7,545
Non-recurring revenue	105,824	–	–	–	105,824
Total revenue	614,749	49,408	–	394	664,551
Result					
Segment result before non-recurring items	147,498	(10,562)	(1,858)	(1,237)	133,841
Non-recurring items	32,545	(6,490)	(29,243)	–	(3,188)
Segment result	180,043	(17,052)	(31,101)	(1,237)	130,653
Share of associates' profit/(loss)					588
Borrowing costs					(93,263)
Interest revenue					1,740
Profit before tax					39,718
Income tax expense					(23,761)
Net profit					15,957
Depreciation and amortisation	8,800	12,743	–	–	21,543
Other non-cash expenses	11,189	–	29,243	–	40,432
Assets					
Segment assets	1,385,181	350,371	457	250	1,736,259
Investments in associates	2,119	2,384	–	–	4,503
Consolidated total assets					1,740,762
Liabilities					
Segment liabilities	594,134	76,603	27,157	54,775	752,669
Acquisitions of non-current assets	18,852	4,405	–	–	23,257

38 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 income tax expense	(159,330)	15,957	(1,049)	54,633
Non-cash revenue	(916)	(4,331)	–	–
Non-cash expenses	28,550	20,524	–	–
Dividend from associates	280	–	–	–
Profit on sale of non-current assets	(459)	(43,751)	–	–
Writedown of Out Of Home goodwill and other charges	178,422	–	–	–
Writedown of non-current assets	20,015	40,432	–	–
Debenture interest accrued	6,825	71,271	–	–
Amount (paid)/refunded from provisions	(10,111)	(877)	–	–
Net increase/(decrease) in tax provisions	(17,505)	(31,282)	(19)	(60)
Net increase/(decrease) in accrued revenue and expense items in payables/(receivables)	(23,692)	(50,626)	55,479	6,464
Net cashflow from operating activities	22,079	17,317	54,411	61,037

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%.

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

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 and 01/1087) 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 (loss)/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
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

NOTES TO THE FINANCIAL STATEMENTS

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

39 DEED OF CROSS GUARANTEE CONTINUED

	Consolidated	
	2002 \$'000	2001 \$'000
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

40 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	14.35	54,647	2 January 2002	30%	100%
2001					
Final – ordinary dividend proposed	14.35	54,647	2 January 2002	30%	100%
Final – ordinary dividend paid	15.88	60,473	2 January 2001	34%	100%

Dividend franking account

	The Company	
	2002 \$'000	2001 \$'000
Franking credits (30%) available for the subsequent financial year	13,673	31,904

The above amounts represent the balances of the franking accounts as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of income tax payable as at the reporting date;
- franking debits that will arise from the payment of dividends proposed or provided as at the reporting date;
- franking credits that will arise from the receipt of dividends recognised as receivables at reporting date; and
- 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.

41 SUBSEQUENT EVENTS

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 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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002


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; 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

TEN NETWORK HOLDINGS LIMITED AND CONTROLLED ENTITIES FOR THE YEAR ENDED 31 AUGUST 2002

TO THE MEMBERS OF TEN NETWORK HOLDINGS LIMITED

Audit opinion

In our opinion, the financial report, set out on pages 6 to 35:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Ten Network Holdings Limited and the Ten Network Holdings 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 Ten Network Holdings Limited. It includes the financial statements for Ten Network Holdings Limited (the Company) and for the Ten Network Holdings Group (the Group), which incorporates Ten Network Holdings 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 30 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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