THE TEN GROUP PTY LIMITED
ABN 50 057 564 708

FINANCIAL REPORT

for the year ended 31 August 2003

CONTENTS

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

DIRECTORS

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

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

[A] Ms S Whittaker ceased as alternate Director for Mr LJ Asper on 13 May 2003.
Mr PD Viner was appointed alternate Director for Mr LJ Asper on 1 July 2003.

[B] Mr BG Sechos was appointed alternate Director for Mr LS Freedman on 10 September 2002.
Ms IYL Lee ceased as alternate Director for Mr LS Freedman on 10 September 2002
Mr BM Sherman was appointed alternate Director for Mr LS Freedman on 6 November 2002.
Mr BG Sechos ceased as alternate Director for Mr LS Freedman on 6 November 2002.

[C] Mr NG Falloon was appointed alternate Director for Mr PV Gleeson on 20 December 2002.

[D] Mr PV Gleeson was appointed alternate Director for Mr GH Levy on 30 May 2003.

[E] Mr LJ Asper was appointed alternate Director for Mr TC Strike on 2 December 2002.
Mr PD Viner ceased as alternate Director for Mr TC Strike on 2 December 2002.
Ms S Whittaker was appointed alternate Director for Mr TC Strike on 8 April 2003.
Mr LJ Asper ceased as alternate Director for Mr TC Strike on 8 April 2003.
Ms S Whittaker ceased as alternate Director for Mr TC Strike on 13 May 2003.
Mr PD Viner was appointed alternate Director for Mr TC Strike on 1 July 2003.

[F] Mr TC Strike was appointed alternate Director for Mr PD Viner on 6 November 2002.
Ms S Whittaker ceased as alternate Director for Mr PD Viner on 6 November 2002.

PRINCIPAL ACTIVITIES

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

RESULT

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

	2003 $'000	2002 $'000
Earnings before interest, taxes and non-recurring items	**194,403**	147,117
Non-recurring items	**(20,000)**	(198,436)
Earnings before interest and taxes	**174,403**	(51,319)
Subordinated debenture interest	**(87,791)**	(6,825)
Net interest expense – other	**(27,003)**	(29,607)
Profit/(Loss) from ordinary activities before income tax	**59,609**	(87,751)
Income tax revenue/(expense)		
Normal	**(23,503)**	(34,372)
Non-recurring	**50,726**	(36,158)
Net profit/(loss) from ordinary activities after income tax	**86,832**	(158,281)
Net loss attributable to outside equity interests	**54**	29,790
Net profit/(loss) attributable to members of the Company	**86,886**	(128,491)

DIVIDEND

Since the end of the previous financial year a fully franked ordinary dividend of 6.593 cents per share ($30,031,939) was paid on 20 December 2002 and a fully franked ordinary dividend of 5.112 cents per share ($23,569,693) was paid on 30 June 2003 in respect of the results for the period to 30 June 2003. Dividends in respect to the six months to 31 December 2003 will be paid during December 2003. No dividend was paid in respect of the year ended 31 August 2002.

REVIEW OF OPERATIONS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

(a) Tax matters

The Company and controlled entities early adopted AASB 1020 Income Taxes on 1 September 2002. This resulted in the recognition of consolidated deferred tax liabilities relating to the difference between accounting and taxation values of television licences and plant and equipment of $270,192,000 with the offsets to opening retained earnings of $44,779,000 and to asset revaluation reserve $225,413,000.

On 1 July 2003 The Ten Group Pty Limited and its 100% Australian controlled entities entered the tax consolidations regime. The uplift in the tax value of television licences and plant and equipment resulted in a consolidated $62,041,000 decrease in deferred tax liabilities, with the offsets being a non-recurring tax credit to current year earnings of $44,726,000 and to asset revaluation reserve $17,315,000.

(b) Non-recurring program write down

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

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

EVENTS SUBSEQUENT TO BALANCE DATE

On 8 October 2003 the Directors declared a special dividend of 5.5 cents per share to be paid on 19 December 2003. The special dividend is a result of the additional distributable earnings from the implementation of the tax consolidations regime on 1 July 2003.

Except for the special dividend noted above, at the date of this report, no matters or circumstances have arisen since balance date that have significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2003 of the consolidated entity and the entities it controls from time to time; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2003 of the consolidated entity.

LIKELY DEVELOPMENTS

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

INSURANCE OF OFFICERS

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

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

INDEMNIFICATION OF OFFICERS

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

The principal provisions of the deed of indemnity are:

(a) a grant of certain indemnities in favour of the officers of the Company and its controlled entities in respect of proceedings which may be instituted by or against these officers relating to the performance of their duties;

(b) the provision of access to the Board papers of the Company and its controlled entities for Directors and alternate Directors; and

(c) an undertaking that a policy of directors and officers liability insurance is maintained by the Company in respect of the officer for a period of 10 years after the officer ceases to be an officer of the Company and its controlled entities.

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

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

ENVIRONMENTAL REGULATIONS

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

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

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

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

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

NG Falloon
Chairman

		Consolidated		The Company	
	Note	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000
Revenue from ordinary activities	2	**732,995**	667,012	**725,674**	645,697
Television costs		**(483,376)**	(446,110)	**(548,116)**	(498,425)
Out-of-home costs		**(75,107)**	(272,214)	**–**	(174,946)
Borrowing costs	3(b)	**(117,333)**	(37,355)	**(88,358)**	(6,825)
Share of net profit of associates and joint ventures accounted for using the equity method	26	**2,430**	916	**–**	–
Profit/(Loss) from ordinary activities before income tax		**59,609**	(87,751)	**89,200**	(34,499)
Income tax revenue/(expense)	4(a)	**27,223**	(70,530)	**(13,635)**	(58,055)
Net profit/(loss) from ordinary activities after income tax		**86,832**	(158,281)	**75,565**	(92,554)
Net loss attributable to outside equity interests		**54**	29,790	**–**	–
Net profit/(loss) attributable to members of the Company	24	**86,886**	(128,491)	**75,565**	(92,554)
(Decrease)/Increase in asset revaluation reserve	23	**(208,098)**	751,400	**–**	–
Net exchange difference on translation of financial report of foreign controlled entities	23	**(431)**	(81)	**–**	–
Total changes in equity from non-owner related transactions attributable to the members of the Company		**(121,643)**	622,828	**75,565**	(92,554)

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

		Consolidated		The Company	
	Note	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000
CURRENT ASSETS					
Cash	5	**20,982**	11,799	**2,225**	2,465
Receivables	6	**127,808**	116,124	**111,993**	137,708
Inventories	7	**123,417**	127,638	**–**	–
Current tax receivables	4(d)	**–**	63,716	**–**	65,111
Other	8	**4,022**	12,029	**149**	–
Total Current Assets		**276,229**	331,306	**114,367**	205,284
NON-CURRENT ASSETS					
Receivables	9	**2,532**	2,116	**605,259**	280,800
Inventories	12	**3,005**	1,565	**–**	–
Investments accounted for using the equity method	10	**10,162**	2,888	**–**	–
Other financial assets	11	**2,553**	2,553	**74,904**	69,337
Property, plant and equipment	13	**89,202**	84,779	**–**	–
Intangibles	14	**1,156,190**	1,159,707	**–**	–
Deferred tax assets	4(e)	**108**	8,270	**–**	2,708
Other	15	**1,397**	626	**1,268**	–
Total Non-Current Assets		**1,265,149**	1,262,504	**681,431**	352,845
Total Assets		**1,541,378**	1,593,810	**795,798**	558,129
CURRENT LIABILITIES					
Payables	16	**215,875**	159,958	**68,808**	10,956
Interest-bearing liabilities	17	**945**	29,247	**–**	–
Current tax liabilities	4(d)	**16,110**	–	**15,267**	–
Provisions	18	**23,789**	40,737	**–**	–
Total Current Liabilities		**256,719**	229,942	**84,075**	10,956
NON-CURRENT LIABILITIES					
Payables	19	**36,377**	26,521	**81,340**	387,557
Interest-bearing liabilities	20	**434,457**	510,111	**255,629**	45,545
Deferred tax liabilities	4(f)	**224,286**	32,042	**224,286**	–
Provisions	21	**1,796**	1,971	**–**	–
Total Non-Current Liabilities		**696,916**	570,645	**561,255**	433,102
Total Liabilities		**953,635**	800,587	**645,330**	444,058
Net Assets		**587,743**	793,223	**150,468**	114,071
EQUITY					
Contributed equity	22	**59,934**	45,500	**59,934**	45,500
Reserves	23	**543,737**	752,266	**6,585**	6,585
Retained earnings	24	**(15,947)**	(4,468)	**83,949**	61,986
Total parent entity interest		**587,724**	793,298	**150,468**	114,071
Outside equity interests in controlled entities	30	**19**	(75)	**–**	–
Total Equity		**587,743**	793,223	**150,468**	114,071

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

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
CASH AND ITS EQUIVALENTS					
Cash on hand	5	**80**	65	**–**	–
Cash at bank	5	**20,902**	11,734	**2,225**	2,465
Bank overdraft	17	**–**	(1,791)	**–**	–
At end of year		**20,982**	10,008	**2,225**	2,465
At beginning of year		**10,008**	20,685	**2,465**	17,283
Net cash inflow/(outflow) for the year		**10,974**	(10,677)	**(240)**	(14,818)
Represented by:					
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		**786,459**	745,199	**561,189**	501,136
Payments to suppliers and employees		**(603,836)**	(609,867)	**(3,865)**	(4,569)
Dividends received		**1,915**	346	**–**	–
Debt collection fee received		**–**	–	**116,339**	102,669
Network fee paid		**–**	–	**(541,394)**	(492,083)
Interest received		**2,416**	933	**27,641**	29,574
Bank interest paid		**(26,501)**	(25,503)	**(291)**	–
Income tax received/(paid)					
Prior year refunds received		**71,188**	4,447	**67,592**	–
Current year payments		**(33,706)**	(56,305)	**(30,211)**	(48,399)
Tax settlement		**–**	(36,158)	**–**	(36,158)
Net cash flow from operating activities	36	**197,935**	23,092	**197,000**	52,170
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Acquisition of property, plant and equipment		**(23,909)**	(25,490)	**–**	–
Proceeds on disposal of property, plant and equipment		**591**	326	**–**	–
Sale of equity investments		**–**	142	**–**	–
Payment for investments		**(5,567)**	–	**(5,567)**	–
Purchase of controlled entities (net of cash acquired)	25(b)	**–**	(10,000)	**–**	(10,000)
Payment for Out-of-home investments and site acquisitions		**–**	(6,361)	**–**	–
Advances/(repayments) from/(to):					
Controlled entities		**–**	–	**(345,074)**	99,048
Associated companies and joint ventures		**122**	11	**–**	–
Directors of controlled entities		**350**	(1,017)	**–**	–
Other related parties		**–**	(1,138)	**–**	–
Other		**(169)**	153	**–**	–
Net cash flow from investment activities		**(28,582)**	(43,374)	**(350,641)**	89,048
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		**(53,602)**	(66,221)	**(53,602)**	(66,221)
Debenture interest paid		**(30,018)**	(66,221)	**(30,018)**	(66,221)
Debenture interest – withholding tax		**(3,002)**	(6,622)	**(3,002)**	(6,622)
Amounts received/(paid) re: Tax Dispute		**16,972**	(16,972)	**16,972**	(16,972)
Financing establishment costs paid		**(1,467)**	–	**(1,467)**	–
Proceeds from exercise of options		**14,434**	–	**14,434**	–
Proceeds from borrowings		**380,084**	538,000	**210,084**	–
Repayment of borrowings		**(481,780)**	(372,359)	**–**	–
Net cash flow from financing activities		**(158,379)**	9,605	**153,401**	(156,036)
Net cash inflow/(outflow) for the year		**10,974**	(10,677)	**(240)**	(14,818)

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

It is prepared in accordance with the historical cost convention except for certain assets which are at valuation. The accounting policies adopted are consistent with those of the previous year, except for the change in Income Taxes as detailed at point (b) below. Comparative information has been reclassified where appropriate to enhance comparability.

(a) Principles of Consolidation

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

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

(b) Income Tax

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

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

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

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

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

Change in Accounting Policy for Income Tax

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

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

- Increase in consolidated deferred tax liabilities of $270,192,000
- A reduction in consolidated asset revaluation reserve of $225,413,000
- A reduction in consolidated retained earnings of $44,779,000.

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

Tax Consolidation Legislation

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

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

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

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

The Ten Group Pty Limited, as the head entity in the tax consolidation group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense/(revenue).

(c) Receivables and Revenue Recognition

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

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

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

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Inventories

Television Program Rights

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

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

Other Inventories

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

(e) Property, plant and equipment

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

	2003	2002
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.

(f) Intangibles

Television Licences

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

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

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

Other Licences

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

Goodwill

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

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

(g) Investments

Controlled entities

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

Associates and Joint Ventures

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

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

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

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

(h) Leases

Operating leases

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

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

Finance leases

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

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market-determined, risk-adjusted discount rate. The discount rates used ranged from 10%-12% (2002: 12%-14%) depending on the nature of the assets.

(j) Payables

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

(k) Employee Entitlements

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

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

(l) Intercompany Loans

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

(m) Cash

For purposes of the Statement of Cash Flows, cash includes cash management deposits at call net of outstanding overdrafts.

(n) Interest Bearing Securities

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

(o) Borrowing Costs

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

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

(p) Dividends

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

(q) Program Development

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

(r) Acquisition of Assets

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

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

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

(s) Foreign Currency Translation

(i) Transactions

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

(ii) Translation of Controlled Foreign Entities

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

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000

2 REVENUE FROM ORDINARY ACTIVITIES

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Revenue from Operating Activities					
Sales revenue		**729,865**	665,555	**581,694**	513,454
Debt collection fees	33	**–**	–	**116,339**	102,669
Revenue from Outside the Operating Activities					
Dividends – Other		**–**	66	**–**	–
Interest					
Controlled entity	33	**–**	–	**26,376**	29,574
Other		**2,539**	923	**1,265**	–
Gross proceeds on sale of listed investments		**–**	142	**–**	–
Gross proceeds on sale of property, plant and equipment		**591**	326	**–**	–
Total Revenue from Ordinary Activities		**732,995**	667,012	**725,674**	645,697

3 PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
(a) Non-recurring items included in profit/(loss) from ordinary activities before income tax					
Write down of program rights – Columbia features		**(20,000)**	–	**–**	–
Write down of goodwill and other charges		**–**	(178,421)	**–**	–
Write off of capitalised digital costs		**–**	(3,493)	**–**	–
Write down of listed investments		**–**	(16,522)	**–**	(112)
Write down of investments in controlled entities		**–**	–	**–**	(174,946)
		(20,000)	(198,436)	**–**	(175,058)
(b) Profit/(Loss) from ordinary activities before income tax has been arrived at after charging/(crediting) the following items:					
Loss/(Profit) on sale of property, plant and equipment		**73**	(317)	**–**	–
Profit on sale of investments		**–**	(142)	**–**	–
Net foreign currency losses – realised		**53**	27	**–**	–
Network fee paid to controlled entity	33	**–**	–	**541,394**	492,083
Net bad and doubtful debts, including movements in provision for doubtful debts		**441**	794	**–**	–
Operating lease rentals					
Minimum lease payments		**42,348**	49,134	**–**	–
Contingent rental expense		**9,589**	6,112	**–**	–
Borrowing costs					
Subordinated debentures	33	**87,791**	6,825	**87,791**	6,825
Related entities		**–**	–	**497**	–
Other		**29,542**	30,530	**70**	–
		117,333	37,355	**88,358**	6,825
Depreciation and amortisation of property, plant & equipment					
Plant and equipment		**16,204**	15,722	**–**	–
Leasehold improvements		**212**	161	**–**	–
Buildings		**253**	253	**–**	–
Leased plant and equipment		**957**	117	**–**	–
Amortisation					
Goodwill		**2,805**	10,043	**–**	–
Other intangibles		**712**	711	**–**	–
Capitalised digital costs		**–**	1,543	**–**	–

4 INCOME TAX

	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
(a) Income tax (revenue)/expense				
Current income tax expense	**42,563**	52,506	**56,941**	47,895
Deferred income tax (revenue)/expense (2003 consolidated includes $44,726,000 deferred tax revenue arising as a result of the tax consolidation legislation – see notes (b))	**(69,786)**	18,024	**(43,306)**	10,160
	(27,223)	70,530	**13,635**	58,055
Attributable to:				
Profit from ordinary activities	**(27,223)**	70,530	**13,635**	58,055
Deferred income tax (revenue)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets	**8,162**	(5,562)	**2,600**	10,160
(Decrease)/increase in deferred tax liabilities	**(77,948)**	23,586	**(45,906)**	–
	(69,786)	18,024	**(43,306)**	10,160
(b) Numerical reconciliation of income tax (revenue)/expense to prima facie tax payable				
Pre-tax profit/(loss)	**59,609**	(87,751)	**89,200**	(34,499)
Tax at the Australian tax rate 30%	**17,883**	(26,326)	**26,760**	(10,350)
Increase in income tax expense is due to:				
Non-recurring tax settlement expenses	**–**	36,158	**–**	36,158
Non deductible expenditure				
Amortisation	**1,055**	3,226	**–**	–
Write down of goodwill	**–**	51,735	**–**	–
Write down of listed investments	**–**	4,957	**–**	34
Write down of unlisted investments	**–**	–	**–**	52,485
Other	**2,193**	1,356	**–**	–
Decrease in income tax expense is due to:				
Non-assessable profits on sale of listed investments	**–**	–	**–**	(7,151)
Prior year adjustments	**(51)**	(576)	**–**	(591)
Tax settlement	**(3,196)**	–	**(3,433)**	–
Tax benefit on losses transferred from controlled entities	**–**	–	**(8,040)**	(12,182)
Tax sharing agreement credit	**–**	–	**(1,567)**	–
Other	**(381)**	–	**(85)**	(348)
	17,503	70,530	**13,635**	58,055
Deferred tax (revenue) arising from the resetting of the tax values of assets as a result of the tax consolidation legislation implemented on 1 July 2003	**(44,726)**	–	**–**	–
Income tax (revenue)/expense	**(27,223)**	70,530	**13,635**	58,055
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Deferred tax – debited directly to equity	**270,192**	–	**–**	–
	270,192	–	**–**	–
(d) Current tax liabilities/(receivables)				
Provision for income tax	**16,110**	(63,716)	**15,267**	(65,111)
(e) Deferred tax assets				
Future income tax benefit	**108**	8,270	**–**	2,708
(f) Deferred tax liabilities				
Provision for deferred income tax	**224,286**	32,042	**224,286**	–
Deferred tax balances include $5.2m attributable to tax losses.				
The potential future income tax benefit relating to tax losses not brought to account is:	**521**	1,071	**–**	–

The benefit for tax losses will only be obtained if:

(i) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for the losses.

4 INCOME TAX (CONTINUED)

Tax consolidation legislation

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

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

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

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

The Ten Group Pty Limited, as the head entity in the tax consolidation group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense/(revenue).

		Consolidated		The Company	
	Note	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000

5 CASH

	Note	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000
Cash on hand		**80**	65	**–**	–
Cash at bank		**20,902**	11,734	**2,225**	2,465
	31	**20,982**	11,799	**2,225**	2,465

6 RECEIVABLES (CURRENT)

	Note	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000
Trade debtors		**136,476**	127,426	**115,704**	95,354
Provisions for doubtful debts and advertising credits		**(8,827)**	(11,677)	**(3,711)**	(3,860)
		127,649	115,749	**111,993**	91,494
Loans and advances					
Controlled entities	33	**–**	–	**–**	46,214
Associated companies	33	**2**	2	**–**	–
Other		**157**	373	**–**	–
		159	375	**–**	46,214
	31	**127,808**	116,124	**111,993**	137,708

7 INVENTORIES (CURRENT)

	Note	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000
Program rights		**122,411**	126,503	**–**	–
Other inventories		**1,006**	1,135	**–**	–
		123,417	127,638	**–**	–

8 OTHER ASSETS (CURRENT)

	Note	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000
Prepayments and sundry debtors		**3,873**	12,029	**–**	–
Capitalised borrowing costs		**149**	–	**149**	–
		4,022	12,029	**149**	–

9 RECEIVABLES (NON-CURRENT)

	Note	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000
Loans and advances					
Associated companies	33	**686**	791	**–**	–
Directors of controlled entities	33	**–**	350	**–**	–
Other		**1,846**	975	**–**	–
Controlled entities					
Debentures	33	**–**	–	**80,800**	80,800
Other	33	**–**	–	**524,459**	200,000
	31	**2,532**	2,116	**605,259**	280,800

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD					
Associates	26(a),33	**8,635**	2,888	**–**	–
Joint ventures	26(b),33	**1,527**	–	**–**	–
		10,162	2,888	**–**	–
11 OTHER FINANCIAL ASSETS					
Investments in listed securities					
Cost		**–**	16,522	**5,679**	112
Provision for diminution		**–**	(16,522)	**(112)**	(112)
		–	–	**5,567**	–
Investments in unlisted securities					
Controlled entities	33	**–**	–	**69,337**	69,337
Associated companies	33	**2,119**	2,119	**–**	–
Other	31	**434**	434	**–**	–
		2,553	2,553	**74,904**	69,337
12 INVENTORIES (NON-CURRENT)					
Program rights		**3,005**	1,565	**–**	–
13 PROPERTY, PLANT AND EQUIPMENT					
Freehold land					
At cost		**5,188**	5,188	**–**	–
Freehold buildings					
At cost		**9,724**	9,461	**–**	–
Accumulated depreciation		**(2,001)**	(1,748)	**–**	–
		7,723	7,713	**–**	–
Leasehold improvements					
At cost		**4,488**	3,414	**–**	–
Accumulated depreciation		**(761)**	(549)	**–**	–
		3,727	2,865	**–**	–
Plant and equipment					
At cost		**176,900**	157,955	**–**	–
Accumulated depreciation		**(106,923)**	(92,490)	**–**	–
		69,977	65,465	**–**	–
Leased Plant and Equipment					
At cost		**6,799**	6,835	**–**	–
Accumulated depreciation		**(4,212)**	(3,287)	**–**	–
		2,587	3,548	**–**	–
Total property, plant and equipment					
Net book value		**89,202**	84,779	**–**	–

	Consolidated 2003 $'000	The Company 2003 $'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:

	Consolidated 2003 $'000	The Company 2003 $'000
Freehold buildings		
Balance at beginning of year	**7,713**	**–**
Additions	**263**	**–**
Depreciation	**(253)**	**–**
Balance at end of year	**7,723**	**–**
Leasehold improvements		
Balance at beginning of year	**2,865**	**–**
Additions	**1,077**	**–**
Disposals	**(2)**	**–**
Foreign currency exchange differences	**(1)**	**–**
Depreciation	**(212)**	**–**
Balance at end of year	**3,727**	**–**
Plant and equipment		
Balance at beginning of year	**65,465**	**–**
Additions	**22,552**	**–**
Disposals	**(1,646)**	**–**
Foreign currency exchange differences	**(279)**	**–**
Depreciation	**(16,115)**	**–**
Balance at end of year	**69,977**	**–**
Leased plant and equipment		
Balance at beginning of year	**3,548**	**–**
Additions	**14**	**–**
Disposals	**(8)**	**–**
Foreign currency exchange differences	**(10)**	**–**
Depreciation	**(957)**	**–**
Balance at end of year	**2,587**	**–**

14 INTANGIBLES

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Television licences		**1,077,822**	1,077,822	**–**	–
Other licences – cost		**29,500**	29,500	**–**	–
Accumulated amortisation		**(1,912)**	(1,200)	**–**	–
		27,588	28,300	**–**	–
Goodwill – cost		**245,421**	245,421	**–**	–
Write down of goodwill		**(172,451)**	(172,451)	**–**	–
Accumulated amortisation		**(22,190)**	(19,385)	**–**	–
		50,780	53,585	**–**	–
		1,156,190	1,159,707	**–**	–

15 OTHER ASSETS (NON-CURRENT)

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Capitalised borrowing costs		**1,268**	–	**1,268**	–
Other		**129**	626	**–**	–
		1,397	626	**1,268**	–

16 PAYABLES (CURRENT)

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Trade creditors		**147,545**	145,430	**7,005**	4,131
Unearned income		**2,568**	4,135	**–**	–
Accrued interest					
Related entity	33	**61,803**	6,825	**61,803**	6,825
Other		**3,959**	3,568	**–**	–
	31	**215,875**	159,958	**68,808**	10,956

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000

17 INTEREST-BEARING LIABILITIES (CURRENT)

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Bank loans	31	**–**	23,000	**–**	–
Bank overdraft	31	**–**	1,791	**–**	–
Commercial bills	31	**–**	3,000	**–**	–
Lease liabilities	29,31	**945**	987	**–**	–
Other loans		**–**	469	**–**	–
		945	29,247	**–**	–

18 PROVISIONS (CURRENT)

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Employee entitlements		**12,940**	13,234	**–**	–
Surplus lease space		**345**	441	**–**	–
Deferred settlement		**3,000**	3,000	**–**	–
Other		**7,504**	24,062	**–**	–
		23,789	40,737	**–**	–

Movements in provisions

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

Consolidated – 2003	Surplus lease space $'000	Deferred settlement $'000	Other $'000	Total $'000
Current				
Carrying amount at beginning of year	441	3,000	24,062	27,503
Additional provisions recognised	–	–	518	518
Payments	–	–	(5,652)	(5,652)
Reductions from remeasurement	(96)	–	(11,424)	(11,520)
Carrying amount at end of year	345	3,000	7,504	10,849

19 PAYABLES (NON-CURRENT)

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Trade creditors		**36,073**	26,256	**4**	4
Loans					
Related entities		**304**	265	**–**	–
Other creditors and accruals					
Controlled entity	33	**–**	–	**81,336**	387,553
	31	**36,377**	26,521	**81,340**	387,557

20 INTEREST-BEARING LIABILITIES (NON-CURRENT)

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Bank loan	31	**175,000**	460,000	**–**	–
USD Senior unsecured notes	31	**210,084**	–	**210,084**	–
Debentures					
Subordinated	31,33	**45,500**	45,500	**45,500**	45,500
Convertible	31,33	**45**	45	**45**	45
Lease liabilities	29,31	**3,828**	4,566	**–**	–
		434,457	510,111	**255,629**	45,545

	Consolidated		The Company	
	2003 $'000	2002 $'000	**2003 $'000**	2002 $'000

21 PROVISIONS (NON-CURRENT)

Employee entitlements	**1,796**	1,971	**–**	–

22 CONTRIBUTED EQUITY

Paid up capital				
462,125,000 ordinary shares fully paid (2002: 455,000,000)	**59,934**	45,500	**59,934**	45,500

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.

23 RESERVES

Asset revaluation	**544,231**	752,329	**6,585**	6,585
Foreign currency translation	**(494)**	(63)	**–**	–
	543,737	752,266	**6,585**	6,585

Movements during the year				
Asset revaluation				
Balance at beginning of year	**752,329**	929	**6,585**	6,585
(Decrement)/Increment on revaluation of television licences	**(208,098)**	751,400	**–**	–
Balance at end of year	**544,231**	752,329	**6,585**	6,585
Foreign currency translation				
Balance at beginning of year	**(63)**	18	**–**	–
Net translation adjustment	**(431)**	(81)	**–**	–
Balance at end of year	**(494)**	(63)	**–**	–

Nature and purpose of reserves

Asset Revaluation

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

Foreign currency translation

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

24 RETAINED EARNINGS

Retained earnings at beginning of year	**(4,468)**	124,023	**61,986**	154,540
Adjustments to opening retained earnings				
Adoption of AASB 1020	**(44,763)**	–	**–**	–
Adjusted retained earnings at the beginning of the financial year	**(49,231)**	124,023	**61,986**	154,540
Net profit/(loss) attributable to members of the Company	**86,886**	(128,491)	**75,565**	(92,554)
Dividends paid	**(53,602)**	–	**(53,602)**	–
Retained earnings at end of year	**(15,947)**	(4,468)	**83,949**	61,986

25 CONTROLLED ENTITIES

(a) Particulars in relation to controlled entities

	Ordinary Share Consolidated Entity Interest 2003 %	2002 %
Parent entity		
The Ten Group Pty Limited		
Controlled entities		
Ten Pay TV Pty Limited (i)	**100**	100
Network Ten Pty Limited (i)	**100**	100
Network Ten (Sydney) Pty Limited (i)	**100**	100
Network Ten (Melbourne) Pty Limited (i)	**100**	100
Network Ten (Brisbane) Pty Limited (i)	**100**	100
Television & Telecasters (Properties) Pty Limited (i)	**100**	100
Network Ten Nominees Pty Limited	**100**	100
Caprice Pty Limited (i)	**100**	100
Network Ten (Adelaide) Pty Limited (i)	**100**	100
Chartreuse Pty Limited (i)	**100**	100
Network Ten (Perth) Pty Limited (i)	**100**	100
Ten Ventures Pty Limited	**100**	100
Ten Online Pty Limited	**100**	100
Eye Corp Pty Limited	**100**	100
Eye Corp Australia Pty Limited (ii)	**100**	100
Eye Fly (Sydney) Pty Limited (ii)	**100**	100
Eye Drive Sydney No. 2 Pty Limited (ii)*	**100**	100
Pimington Pty Limited (ii)*	**100**	100
Olympic Murals 2000 Pty Limited (ii)*	**100**	100
Boyd Outdoor Advertising Pty Limited (ii)*	**100**	100
Eye Digital Pty Limited (ii)	**100**	100
NLD Pty Limited (ii)	**100**	100
Australian Airport Advertising Pty Limited (ii)	**100**	100
Eye Corp Airport Advertising Pty Limited (ii)	**100**	100
Eye Drive Sydney Pty Limited (ii)	**100**	100
Eye Mall Media Pty Limited (ii)	**100**	100
Eye Corp Asia Limited	**100**	100
Eyecorp Limited	**100**	100
PT Netra Estha Muda	**95**	95
PT Agung Bali	**67**	67
PT Eye Corp (iii)	**–**	–
Eye Corp Media Pty Limited	**100**	100
Adval Holdings Pty Limited	**100**	100
Adval Australia Pty Limited	**100**	100

All the above controlled entities are incorporated in Australia, except for the following:
– Eye Corp Asia Limited (incorporated in Mauritius);
– Eyecorp Limited (incorporated in Myanmar); and
– PT Netra Estha Muda, PT Agung Bali and PT Eye Corp (incorporated in Indonesia).

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

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

(iii)Eye Corp Asia Limited has a 100% beneficial ownership interest in PT Eye Corp and PT Netra Estha Muda and a 70% beneficial ownership interest in PT Agung Bali.

* In liquidation

25 CONTROLLED ENTITIES (CONTINUED)

(b) Acquisition of controlled entities

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

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

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Consideration		–	10,000	–	10,000
Cash acquired		–	–	–	–
Outflow of cash		–	10,000	–	10,000

26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Share of net profits accounted for using the equity method included in the statement of financial performance					
Associates	26(a)	**1,038**	916	–	–
Joint ventures	26(b)	**1,392**	–	–	–
		2,430	916	–	–

(a) Investments in equity accounted associates

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

The principal activities of the associated companies are:

(i) Outdoor advertising

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

26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) Investments in equity accounted associates (continued)

	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Results attributable to associates				
Profits from ordinary activities before income tax	**1,480**	1,390	**–**	–
Income tax expense	**(387)**	(474)	**–**	–
Profits from ordinary activities after income tax	**1,093**	916	**–**	–
Goodwill amortisation	**(55)**	–	**–**	–
	1,038	916		
Retained profits attributable to associates at the beginning of the financial year	**1,504**	588	**–**	–
Retained profits attributable to associates at the end of the financial year	**2,542**	1,504	**–**	–
Reserves attributable to associates				
Foreign Currency Translation Reserve				
Share of associates' reserve at beginning of year	**(107)**	21	**–**	–
Share of decrement in associates' reserve	**(449)**	(128)	**–**	–
Share of associates' reserve at end of year	**(556)**	(107)	**–**	–
Movements in carrying amount of investments				
Carrying amount at the beginning of the financial year	**2,888**	2,384	**–**	–
Investments in associates acquired during the year	**5,567**	–	**–**	–
Share of profits from ordinary activities after income tax	**1,093**	916	**–**	–
Goodwill amortisation	**(55)**	–	**–**	–
Dividends received/receivable	**(409)**	(284)	**–**	–
Share of decrement in associates' reserve	**(449)**	(128)	**–**	–
Carrying amount at the end of the financial year	**8,635**	2,888	**–**	–
Financial position of associates				
The consolidated entity's share of aggregate assets and liabilities of associates is as follows:				
Current assets	**3,903**	1,459	**–**	–
Non-current assets	**14,898**	3,645	**–**	–
Total assets	**18,801**	5,104	**–**	–
Current liabilities	**(3,456)**	(2,216)	**–**	–
Non-current liabilities	**(9,857)**	–	**–**	–
Total liabilities	**(13,313)**	(2,216)	**–**	–
Net assets	**5,488**	2,888	**–**	–
Share of associates' expenditure commitments as at 30 June				
Capital commitments	**1**	–	**–**	–
Lease commitments	**8,674**	–	**–**	–
	8,675	–	**–**	–

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

(b) Investments in joint venture companies

Name	Principal Activity/Note	Balance Date	Ownership interest 2003 %	Ownership interest 2002 %	Consolidated Amount of investment 2003 $'000	Consolidated Amount of investment 2002 $'000	The Company Amount of investment 2003 $'000	The Company Amount of investment 2002 $'000
Held by Eye Corp Pty Limited								
Eye Village Pty Limited	(i)	30 Jun	**50.0**	50.0	**1,527**	–	**–**	–

The principal activities of the joint venture companies are:

(i) Internal advertising in shopping centres.

	Consolidated 2003 $'000	2002 $'000	The Company 2003 $'000	2002 $'000

26 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Investments in joint venture companies (continued)

	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Results attributable to joint ventures				
Profits from ordinary activities before income tax	**1,392**	–	**–**	–
Income tax expense	**–**	–	**–**	–
Profits from ordinary activities after income tax	**1,392**	–	**–**	–
Retained profits attributable to joint ventures equity accounted for the first time	**(1,124)**	–	**–**	–
Retained profits attributable to joint ventures at the end of the financial year	**268**	–	**–**	–
Reserves attributable to joint ventures				
Foreign Currency Translation Reserve				
Share of joint ventures' reserve at beginning of year	**–**	–	**–**	–
Share of increment in joint ventures' reserve	**14**	–	**–**	–
Share of joint ventures' reserve at end of year	**14**	–	**–**	–
Movements in carrying amount of investments				
Carrying amount at the beginning of the financial year	**–**	–	**–**	–
Carrying amount of joint ventures equity accounted for the first time	**1,221**	–	**–**	–
Investments in joint ventures acquired during the year	**400**	–	**–**	–
Share of profits from ordinary activities after income tax	**1,392**	–	**–**	–
Dividends received/receivable	**(1,500)**	–	**–**	–
Share of increment in joint ventures' reserve	**14**	–	**–**	–
Carrying amount at the end of the financial year	**1,527**	–	**–**	–
Financial position of joint ventures				
The consolidated entity's share of aggregate assets and liabilities of joint ventures is as follows:				
Current assets	**1,593**	–	**–**	–
Non-current assets	**383**	–	**–**	–
Total assets	**1,976**	–	**–**	–
Current liabilities	**(449)**	–	**–**	–
Non-current liabilities	**–**	–	**–**	–
Total liabilities	**(449)**	–	**–**	–
Net assets	**1,527**	–	**–**	–

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

27 DIRECTORS' REMUNERATION

	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
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	**4,365**	4,835	**3,793**	3,360

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

$'000	2003	2002
0 – 10	**3**	2
10 – 20	**8**	7
20 – 30	**3**	2
30 – 40	**–**	1
50 – 60	**–**	1
590 – 600	**–**	1
1,180 – 1,190	**–**	1
1,320 – 1,330	**–**	1
1,350 – 1,360	**1**	–
2,250 – 2,260	**1**	–

28 AUDITORS' REMUNERATION

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Audit and other assurance services:					
Auditors of the Company – PwC					
Audit or review of financial reports		**458**	434	**–**	–
Other audit related work		**10**	98	**–**	–
Other assurance services		**267**	292	**–**	–
		735	824	**–**	–
Other services:					
Auditors of the Company – PwC					
Advisory services		**50**	23	**–**	–
Taxation		**625**	745	**–**	–
		675	768	**–**	–
		1,410	1,592	**–**	–

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

29 COMMITMENTS

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
(a) Capital expenditure commitments					
Amounts contracted but not provided for:					
No later than one year		**3,535**	4,166	**–**	–
Later than one year and not later than five years		**636**	–	**–**	–
		4,171	4,166	**–**	–
(b) Program expenditure commitments					
Amounts contracted but not provided for:					
No later than one year		**44,732**	77,767	**–**	–
Later than one year and not later than five years		**70,110**	13,721	**–**	–
		114,842	91,488	**–**	–
(c) Non-cancellable operating lease commitments					
Minimum lease payments contracted but not provided for:					
No later than one year		**38,074**	39,643	**–**	–
Later than one year and not later than five years		**89,814**	91,274	**–**	–
Later than five years		**29,259**	34,246	**–**	–
		157,147	165,163	**–**	–
Less: Total future minimum sub lease payments receivable		**7**	–	**–**	–
		157,140	165,163	**–**	–
(d) Finance lease commitments					
Finance lease commitments are payable:					
No later than one year		**1,677**	1,370	**–**	–
Later than one year and not later than five years		**3,446**	4,579	**–**	–
		5,123	5,949	**–**	–
Less: Total future finance charges		**350**	396	**–**	–
		4,773	5,553	**–**	–
Represented by:					
Current	17	**945**	987	**–**	–
Non-current	20	**3,828**	4,566	**–**	–
		4,773	5,553	**–**	–

(e) Superannuation

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

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

	Consolidated 2003 $'000	2002 $'000

30 OUTSIDE EQUITY INTERESTS

	2003 $'000	2002 $'000
Outside equity interests in controlled entities comprise:		
Interest in share capital	**–**	104
Interest in reserves	**40**	(3)
Interest in retained earnings at the end of the financial year	**(21)**	(176)
Total outside equity interests	**19**	(75)

31 FINANCIAL INSTRUMENTS

	Note	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	1 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000
2003 – Consolidated							
Financial assets							
Cash	5	20,902	–	–	–	80	20,982
Receivables	6,9	–	–	–	–	130,340	130,340
Investments	11	–	–	–	–	434	434
		20,902	–	–	–	130,854	151,756
Financial liabilities							
Payables	16,19	–	–	–	–	252,251	252,251
Bank overdrafts and loans	17,20	175,000	–	–	–	–	175,000
USD Senior unsecured notes	20	210,084	–	–	–	–	210,084
Subordinated debentures	20	45,500	–	–	–	–	45,500
Convertible debentures	20	45	–	–	–	–	45
Lease liabilities	17,20	–	945	3,828	–	–	4,773
		430,629	945	3,828	–	252,251	687,653
Net financial assets (liabilities)		(409,727)	(945)	(3,828)	–	(121,397)	(535,897)
Interest rate swaps *		–	50,000	135,000	50,000	–	235,000
Weighted average interest rate							5.95%
2002 – Consolidated							
Financial assets							
Cash	5	11,734	–	–	–	65	11,799
Receivables	6,9	–	–	–	–	118,240	118,240
Investments	11	–	–	–	–	434	434
		11,734	–	–	–	118,739	130,473
Financial liabilities							
Payables	16,19	–	–	–	–	186,479	186,479
Bank overdrafts and loans	17,20	484,791	–	–	–	–	484,791
Commercial bills	17	3,000	–	–	–	–	3,000
Subordinated debentures	20	45,500	–	–	–	–	45,500
Convertible debentures	20	45	–	–	–	–	45
Lease liabilities	17,20	–	987	4,566	–	–	5,553
		533,336	987	4,566	–	186,479	725,368
Net financial assets (liabilities)		(521,602)	(987)	(4,566)	–	(67,740)	(594,895)
Interest rate swaps *		–	50,000	165,000	50,000	–	265,000
Weighted average interest rate							5.8%

* Notional principal amounts

31 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Notes:

(i) During the year, The Ten Group Pty Limited raised funds through USD $125m Senior Unsecured Notes (due March 2013) in the US Private Placement market. The notes have been fully swapped by the use of foreign currency and interest rate swaps into an AUD floating exposure of $210.084m. This amount will be required to be repaid to noteholders upon maturity in March 2013.

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

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

(iii) The 455,000 convertible debentures of $1.01 each partly paid to 10 cents have a market linked interest rate and can each be converted to 1,000 ordinary shares at the option of the debenture holder in certain circumstances within 45 years from date of issue. The new ordinary shares would need to be subscribed for at the price of $0.10 per share.

(iv) The Eye Corp Pty Limited consolidated entity has granted a fixed and floating charge over all assets as security for the bank overdraft.

Off-balance sheet financial assets and liabilities

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

Interest rate risk exposures

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

Credit risk exposures

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

Net fair value of financial assets and liabilities

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

32 EMPLOYEE ENTITLEMENTS

	Consolidated		The Company	
	2003 $'000	2002 $'000	**2003 $'000**	2002 $'000
Number of employees				
Number of employees at year end	**1,282**	1,289	**–**	–

The Ten Executive Option Plan

The Ten Executive Option Plan involves the issue of options in Ten Network Holdings Limited to executives and senior management of the Company and its controlled entities. The total number of options that may be issued have been limited to 5% of the issued capital of The Ten Group Pty Limited. At balance date total options issued amounted to 10,510,000. A total of 675,000 of these options are exercisable subject to performance hurdles at a price of $2.11 per share over the next year. A total of 200,000 of these options are exercisable subject to performance hurdles at a price of $2.09 per share over the next two years. A total of 1,385,000 of these options are exercisable subject to performance hurdles at a price of $2.41 per share over the next two years. A total of 750,000 of these options are exercisable subject to performance hurdles at a price of $2.25 per share over the next three years. A total of 7,500,000 of these options are exercisable on certain nominated dates at a price of $1.90 per share over the next nine years. All issued options are also subject to various vesting date arrangements. As of balance date, 5,183,500 options may be exercised, due to hurdle and vesting date preconditions having been met.

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

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

The Ten Employee Award Plan

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

The Ten Employee Savings Plan

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

33 RELATED PARTY INFORMATION

	Note	Consolidated 2003 $'000	Consolidated 2002 $'000	The Company 2003 $'000	The Company 2002 $'000
Ownership interest in related entities					
Controlled entities	11	**–**	–	**69,337**	69,337
Associated companies					
– equity accounted	10,26(a)	**8,635**	2,888	**–**	–
– other	11	**2,119**	2,119	**–**	–
Joint venture companies	10,26(b)	**1,527**	–	**–**	–
		12,281	5,007	**69,337**	69,337
Dividends					
Dividends to controlling entities		**44,936**	–	**44,936**	–
Amounts receivable from/(payable to) related entities					
Controlled entities					
Receivable	6,9	**–**	–	**605,259**	327,014
Payable	19	**–**	–	**(81,336)**	(387,553)
		–	–	**523,923**	(60,539)
Associated companies					
Receivable	6,9	**688**	793	**–**	–
Related entities					
Payable	16	**(61,803)**	(6,825)	**(61,803)**	(6,825)
Subordinated debentures	20	**(45,500)**	(45,500)	**(45,500)**	(45,500)
Convertible debentures	20	**(45)**	(45)	**(45)**	(45)
		(107,348)	(52,370)	**(107,348)**	(52,370)

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

Financial transactions with related entities

Entity's name	Note	Nature of transaction at normal commercial terms
Between controlled entities:		
Network Ten Pty Limited	2	Interest on loans $26.4m (2002: $26.4m)
Eye Corp Pty Limited	2	Interest on loans $nil (2002: $3.2m)
Eye Corp Pty Limited		Purchase of Out-of-home advertising by Network Ten Pty Limited of $0.3m (2002: $0.7m)
Eye Corp Pty Limited		Rental income charged by Network Ten Pty Limited, Network Ten (Adelaide) Pty Limited and Network Ten (Perth) Pty Limited of $0.1m (2002: $0.2m)
Eye Corp Pty Limited		Loan from The Ten Group Pty Limited of $79.4m (2002: $46.2m)
Network Ten Pty Limited	3	Debt collection fee revenue of $89.3m (2002: $79.4m) Management fees of $469.0m (2002: $425.9m)
Network Ten (Adelaide) Pty Limited	3	Debt collection fee revenue of $11.9m (2002: $10.1m) Management fees of $32.6m (2002: $29.9m)
Network Ten (Perth) Pty Limited	3	Debt collection fee revenue of $15.1m (2002: $13.2m) Management fees of $39.7m (2002: $36.2m)
With related entities:		
CanWest Global Communications Corp. (Group)	3	Interest on subordinated and convertible debentures $87.8m (2002: $6.8m)

Contracts with Directors

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

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

Loans to/from Directors

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

33 RELATED PARTY INFORMATION (CONTINUED)

Network Agreements

The Company has networking agreements with a number of its controlled entities whereby advertising revenues derived by those controlled entities are assigned to the Company. Revenues assigned by those controlled entities totalled $581.7m (2002: $513.3m). Management fees payable by the Company to controlled entities under the agreements totalled $541.4m (2002: $492.1m). Debt collection fees are also collected by the Company totalling $116.3m (2002: $102.7m).

Controlling Entities

The ultimate parent entity in the wholly owned group is The Ten Group Pty Limited. The ultimate parent entity is Ten Network Holdings Limited, a company listed on the Australian Stock Exchange, which at 31 August 2003 had a beneficial interest of 84.06% (2002: 83.73%) and an economic interest of 42.35% (2002: 41.87%).

34 CONTINGENT LIABILITIES

General

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

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

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

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

35 SEGMENT INFORMATION

Business segments

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

Television

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

Out-of-home

Advertising media outside the home environment.

Ventures

Investments in the online industry.

Geographical segments

The consolidated entity operates principally within Australia.

Inter-segment transactions

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

Primary reporting – Business segments

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

35 SEGMENT INFORMATION (CONTINUED)

Primary reporting – Business segments (continued)

2002	Television $'000	Out-of-home $'000	Ventures $'000	Eliminations /Unallocated $'000	Consolidated $'000
Revenue					
Sales to external customers	587,453	78,102	–	–	665,555
Inter-segment sales	171	667	–	(838)	–
Total sales revenue	587,624	78,769	–	(838)	665,555
Other revenue	1,172	143	142	–	1,457
Total revenue	588,796	78,912	142	(838)	667,012
Segment Result					
Result	173,590	1,019	142	–	174,751
Share of associates' profit	–	916	–	–	916
EBITDA	173,590	1,935	142	–	175,667
Deprecation	(10,953)	(5,300)	–	–	(16,253)
Amortisation	(1,543)	(10,754)	–	–	(12,297)
EBIT	161,094	(14,119)	142	–	147,117
Non-recurring items	(20,015)	(178,421)	–	–	(198,436)
Borrowing costs					(37,355)
Interest revenue					923
Loss before tax					(87,751)
Income tax expense					
Normal					(34,372)
Non-recurring					(36,158)
Net Loss after tax					(158,281)
Depreciation and amortisation	12,496	16,054	–	–	28,550
Other non-cash expenses	16,522	169,540	–	–	186,062
Assets					
Segment assets	1,451,437	137,366	–	–	1,588,803
Investments in associates	2,119	2,888	–	–	5,007
Consolidated total assets					1,593,810
Liabilities					
Segment liabilities	731,547	69,040	–	–	800,587
Acquisitions of non-current assets	20,509	5,004	–	–	25,513

36 NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated		The Company	
	2003 $'000	2002 $'000	**2003 $'000**	2002 $'000
Reconciliation of profit/(loss) from ordinary activities after income tax to net cash flow from operating activities				
Net profit/(loss) from ordinary activities after income tax	**86,832**	(158,281)	**75,565**	(92,554)
Non-cash revenue	**(2,430)**	(916)	**–**	–
Non-cash expenses	**21,143**	28,550	**–**	–
Dividends from associates	**1,915**	280	**–**	–
Profit on sale of non-current assets	**73**	(459)	**–**	–
Write down of program rights – Columbia features	**20,000**	–	**–**	–
Non-cash tax benefit due to tax consolidations	**(44,726)**	–	**–**	–
Write down of Out-of-home goodwill and other charges	**–**	178,422	**–**	–
Write down of non-current assets	**–**	20,015	**–**	175,058
Debenture interest	**87,791**	6,825	**87,791**	6,825
Amount (paid)/refunded from provisions	**(17,123)**	(10,111)	**–**	–
Net increase/(decrease) in tax provisions	**55,162**	(17,486)	**51,016**	(26,502)
Net increase/(decrease) in accrued revenue and expense items in payables/(receivables)	**(10,702)**	(23,747)	**(17,372)**	(10,657)
Net cashflow from operating activities	**197,935**	23,092	**197,000**	52,170

Non cash financing and investing activities

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

37 DEED OF CROSS GUARANTEE

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

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

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

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

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

38 DIVIDENDS

Dividends proposed or paid by the Company are:

	Cents per share	Total amount $'000	Date of Payment	Tax rate for franking credit	Percentage franked
2003					
Dec – ordinary dividend proposed and paid	6.6	30,032	20 December 2002	30%	100%
Jun – ordinary dividend proposed and paid	5.1	23,570	30 June 2003	30%	100%
2002					
Interim – ordinary dividend proposed	–	–	n/a	n/a	n/a
Final – ordinary dividend paid	14.2	66,221	20 December 2001	30%	100%

	The Company 2003 $'000	The Company 2002 $'000
Dividend franking account		
Franking credits (30%) available for the subsequent financial year	**43,141**	37,488

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

(a) franking credits that will arise from the payment of income tax payable as at the reporting date;

(b) franking debits that will arise from the payment of dividends proposed or provided as at the reporting date;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at reporting date; and

(d) franking credits that may be prevented from being distributed in the subsequent year.

39 SUBSEQUENT EVENTS

On 8 October 2003 the Directors declared a special dividend of 5.5 cents per share to be paid on 19 December 2003. The special dividend is a result of the additional distributable earnings from the implementation of the tax consolidations regime on 1 July 2003.

Except for the special dividend noted above, at the date of this report, no matters or circumstances have arisen since balance date that have significantly affected or may significantly affect:

- the operations in financial years subsequent to 31 August 2003 of the consolidated entity and the entities it controls from time to time; or
- the results of those operations; or
- the state of affairs in financial years subsequent to 31 August 2003 of the consolidated entity.

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

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements. In accordance with section 334(5) of the Corporations Act 2001, the Company has elected to adopt AASB 1020 Income Taxes, effective from 1 September 2002; and

(b) give a true and fair view of the Company's and consolidated entity's financial position as at 31 August 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the Directors' opinion:

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

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

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

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

NG Falloon
Chairman

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the financial report of The Ten Group Pty Limited (the Company) and The Ten Consolidated Group (the Consolidated Entity) for the financial year ended 31 August 2003 included on The Ten Group Pty Limited's web site. The Company's directors are responsible for the integrity of the Company's web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit opinion

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

- gives a true and fair view of the financial position of The Ten Group Pty Limited and The Ten Consolidated Group at 31 August 2003, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both The Ten Group Pty Limited and The Ten Consolidated Group, for the year ended 31 August 2003. The Consolidated Entity comprises both the Company and the entities it controlled during that year.

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

Audit approach

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

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

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

We read the other information in the Annual Report to determine whether it contained any material inconsistencies with the financial report.

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

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

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Bosiljevac

SJ Bosiljevac
Partner

Sydney
8 October 2003

www.ten.com.au